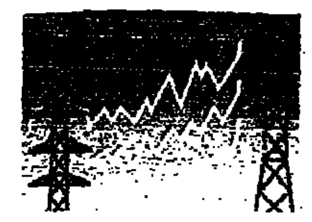
FINANCIAL TIMES



Regulating utilities

Is the British model working?

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Argentina tries to weather the storm

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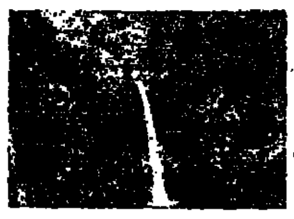

Farming and forest

Ecological dilemma for Nigeria

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Keeping the peace

A sadder if not wiser UN

Edward Mortimer, Page 14

World Business Newspaper WEDNESDAY MARCH 8 1995 D8523A

Pre-tax profits at Barclays nearly triple to $3.05bn

A near tripling of pre-tax profits to £1.86bn ($3.05bn) in 1994 was reported by Barclays, Britain's biggest bank, as a drop in provisions for bad and doubtful debts, particularly in the UK and the US, more than covered a dip in operating income. Assets fell to £162.4bn, following the disposal of 15 businesses. Page 17; Observer, Page 15; Lex, Page 16

Greece accuses Turkey of insult: Greece called for an emergency meeting of European Union foreign ministers and suggested that a new customs accord with Turkey should be shelved after what a Greek minister described as "brutal insults" by a Turkish minister. Page 16

Death penalty to return to New York:

Capital punishment is to return to New York State after a break of nearly 20 years. The state's governor George Pataki (left), was preparing to sign the bill, introducing death by lethal injection for first degree murder, into law after it was approved by the senate on Monday night. New York will be the 38th state to restore the death penalty since 1976. Page 6

Regulator stuns UK electricity industry: British electricity supplier Northern Electric urged shareholders to accept a cash bid from Trafalgar House after Professor Stephen Littlechild, power regulator, plunged the industry into turmoil by announcing he was reviewing controversial price controls. Page 16

Britain considers Leeson extradition: Britain's Serious Fraud Office has begun to gather evidence in support of a request for an eventual extradition to the UK from Germany of Nicholas Leeson, the futures trader at the centre of the Barings Bank collapse. Page 16; Observer, Page 15; Barings crisis, Page 18

Big rise in funding to developing nations: Foreign direct investment in developing nations reached $80bn last year, or nearly 40 per cent of total overseas investment flows, a United Nations study shows. Page 7

Wellcome recommends $14bn Glaxo bid: Wellcome recommended its shareholders accept the £9bn ($14.7bn) takeover bid by Glaxo, which will create the world's biggest drugs group, after failing to attract a higher offer. Page 17

Sharp increase in tourism: International tourism in the 25 countries of the Organisation for Economic Co-Operation and Development, which account for 80 per cent of total tourism, increased significantly in 1994, the OECD said. Page 8

Hong Kong finance minister named: Hong Kong's new finance minister is to be Donald Tsang, 50, a career civil servant noted for his fiscal conservatism and political liberalism. Page 8

Ford to spend $201m on new car: Ford, the US carmaker, will invest $201m at its plant at Valencia, Spain, to build a new car to be the smallest in the company's range. Page 22

GM lifts European profits: General Motors increased the net profits of its European car and light commercial vehicle operations by 43 per cent last year to $858m from $598m. Page 22

US visit sought for Taiwan leader: Congress is stepping up pressure on the Clinton administration to permit Taiwan's president Lee Teng-hui to visit the US, a move likely to upset Beijing. Page 8

Christopher begins Middle East mission: US secretary of state Warren Christopher begins a week-long visit to Middle Eastern capitals to re-energise the faltering peace process between Israel and its Arab neighbours. Page 4

Heinz makes partial recovery: Heinz, the US food group, made a partial recovery from last year's badly depressed third quarter by reporting an 8 per cent increase in net profits to $138.3m for the period to January. Page 23

RTZ buys Indonesian gold company: RTZ, the world's biggest mining company, is to pay between $450m and $875m for a substantial interest in Freeport-McMoRan Copper & Gold, a US company that owns 86 per cent of a huge copper and gold deposit in Iran Jaya, Indonesia. Page 23

White House may ease Cuban sanctions: The Clinton administration is considering easing modest sanctions imposed on Cuba last year in the wake of the most recent flow of emigrants from the Caribbean island. Page 6

Yen and Swiss franc gain ■ Dollar and sterling touch all-time lows

Traders seek safety in D-Mark

By Philip Coggan and Philip Gawith in London

Traders flocked to the D-Mark and other safe-haven currencies on foreign exchanges yesterday, driving the dollar, sterling and French franc to all-time lows against the German unit.

The turmoil on the foreign exchange markets forced bond and share prices to fall sharply in Europe and the US as fears grew that governments and central banks, including the US Federal Reserve, would need to raise interest rates to protect their currencies.

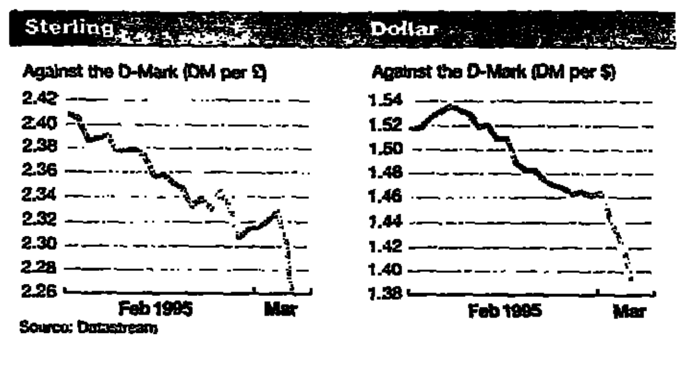
As tensions in the market rose, so did speculation that central banks might be forced to raise interest rates to defend their currencies. Sterling futures markets were very nervous ahead of today's meeting between Mr Eddie George, governor of the Bank of England, and Mr Kenneth Clarke, UK chancellor of the exchequer, while French markets were swamped with rumours about a 2 percentage point rise in rates to defend the franc.

The wage agreement with the IG Metall engineering union in Germany, which was perceived by investors as having inflationary implications, also depressed bonds and currencies. It appeared to make more likely an interest rate increase by the Bundesbank, which in turn would put pressure on other central banks.

Mr Richard Phillips, a trader at brokers GNI in London, said: "The markets are just running scared at the moment."

Volumes on foreign exchanges were very heavy, with traders reporting that the markets were becoming increasingly driven by sentiment rather than economic or political realities.

But they had little expectation of an early turnround as the D-Mark continued to strengthen. The yen and the Swiss franc also gained ground, benefiting from their safe-haven qualities.



Source: Datastream

The lack of comment of most politicians and central bankers left markets convinced that monetary authorities were prepared to accept developments. One exception was the remark from Mr Lawrence Summers, US treasury undersecretary, who told a hearing before the House International Relations Committee, that a strong dollar was in the US national interest.

There was no concerted intervention to stabilise markets, with only the central banks of Japan and Portugal seen in the market.

In early New York afternoon trading the dollar fell to DM1.3655, a historic low. Against the yen it was trading at Y89.15, a post second world war low. Sterling was trading at DM2.25, also an all-time low, against the D-Mark, and $1.6435.

Interest rate speculation hit European government bond and share prices. In the UK, long gilts fell by slightly over a point, while French government bonds dropped by almost as much. In the US, the 30-year Treasury bond was down about half a point in early New York trading.

The FT-SE 100 Index fell 24.9 points to 2,977.0, closing below the 3,000 level for the first time since January. In Paris and Frankfurt, shares fell by 1.4 per cent.

European markets were not helped by Wall Street. Yesterday, growing fears of an interest rate increase forced the Dow Jones Industrial Average down 35 points down, to 3,960.21, by 1pm.

Sterling jitters shake the quiet life, Page 10; Bonds, Page 28; Currencies, Page 29; World stocks, Section II

3.8% pay offer set to end IG Metall strike

By Michael Lindemann in Bonn

The first strike in Germany's engineering industry since 1984 is set to end following an agreement between employers and the IG Metall union after lengthy negotiations.

The deal provides for an average annual wage rise of 3.8 per cent over two years for the industry's 3.4m workers without any union concessions on more flexible working. The increase is at the higher end of expectations.

German economists warned it would intensify inflationary pressures, with the settlement rapidly becoming the benchmark for other pay talks. Employers said it would result in more job cuts.

It was seen as heightening the possibility that the Bundesbank could raise interest rates in coming months. This is in spite of the sharp appreciation of the D-Mark, which has aided the Bundesbank's anti-inflation efforts by depressing import prices.

The deal came after the union, Germany's largest, had made clear it was ready to widen the 12-day strike, which had been limited to Bavaria. The union's initial demand was for 6 per cent.

Under the agreement employees will receive a lump sum monthly payment of DM152.50 ($109) for the first four months of this year, an average increase of 3.4 per cent.

An increase of 3.4 per cent follows from May 1 to November 1, rising to 3.6 per cent from November until the end of 1995. The working week will be reduced on October 1 by one hour to 35 hours.

The deal is likely to hearten several of Germany's major unions which are also seeking around 6 per cent.

Mr Bruno Köbele, the head of the 1m-strong IG Bau construction workers' union, seeking a 6.5 per cent increase, said the engineering deal provided a "good starting point" for talks with employers.

In the chemical industry, where union leaders are calling

Continued on Page 16
Unions hail IG Metall deal, Page 3
Editorial Comment, Page 15

Italy's big banks vie for control of telecoms group

By Andrew Hill in Milan

Italy's largest banks are competing to buy the Italian state's majority stake in Stet, the telecommunications holding company due for privatisation, and then place the shares on the market or with selected investors.

IRI, the state holding company which controls Stet, confirmed yesterday that Mediobanca, the influential Milan merchant bank, and three former state-owned banks, Banca di Roma, Banca Commerciale Italiana (BCI) and Credito Italiano (Credit), had offered to buy its 61 per cent stake in the telecoms group.

The consortium has not put a figure on its offer, but based on yesterday's Stet share price the stake would cost just under L11,000bn ($6.6bn).

Mediobanca and its allies would then expect to form a hard core of shareholders for Stet and sell the rest of the stake to the public.

Three other Italian banks – IMI, Cariplo and Istituto Bancario San Paolo di Torino – are understood to have put together a loose alternative alliance, and are ready to make a competing bid for the whole IRI stake.

IRI has received more than 20 applications from Italian and international banks to co-ordinate the Stet sale, one of the most keenly awaited in Italy's ambitious privatisation programme.

The company, advised by Morgan Stanley and the Italian firm Euromobiliare, should name global co-ordinators by the end of next month.

The offer from the Mediobanca-led consortium yesterday prompted a negative reaction from Italian politicians of all parties, concerned about the possible implications for the future of the country's telecoms sector.

Telecoms unions said they were in favour of a strong shareholder base for Stet, the majority shareholder of Telecom Italia, the country's main operating company, but said the choice of core investors should be overseen by IRI and the Italian treasury.

When BCI and Credit were privatised last year, critics claimed Mediobanca had circumvented rules designed to promote wider share ownership by encouraging its traditional corporate allies to buy small stakes in the banks.

Recently, the Italian government, which wants to speed up privatisation, has revived the

Continued on Page 16
Lex, Page 16
Hard core muscles in on Stet sale, Page 20

German chancellor Helmut Kohl (right) turns Paul Keating to face photographers during a welcome ceremony for the Australian prime minister in Bonn. Mr Keating hopes to foster closer links with Germany and was due to lead a trade fair to the Cebit computer fair in Hanover.

Jospin offers French voters a leftwing election agenda

By David Buchan in Paris

Mr Lionel Jospin, the Socialist candidate in the French presidential election, yesterday set out a distinctly leftwing manifesto, calling for a shorter working week, new taxes on investment income and speculative capital movements, and increased welfare spending.

Using the motto "With Lionel Jospin, it's clear", the Socialist candidate produced a programme chiefly designed to rally sufficient traditional leftwing support to ensure him a place in the final run-off election on May 7.

At present, Mr Jospin is level-pegging with his Gaullist rivals, prime minister, Mr Edouard Balladur, and Mr Jacques Chirac, in the polls, but only the top two scorers in the first round of voting on April 23 will proceed to the run-off.

Pitching his programme to draw some support away from the one Communist and the three ecology candidates already in the race, Mr Jospin said that, to combat unemployment, he would reduce the regular legal work week from 39 to 37 hours by 1997, without necessarily cutting workers' pay.

He cited the present ructions in the currency markets and the Barings bank fiasco to promote the idea of a 0.1 per cent tax on capital movements "which would not penalise investments for 10 years, only placements for 10 days".

Giving his campaign a heavy green tint, Mr Jospin said France should make more use of railways and electric cars to reduce pollution from road transport. He also wants a tax on carbon emissions, echoing Mr Jacques Delors, the former European Commission president who now heads the Jospin-for-president committee.

He stressed his commitment to a single European currency to promote lower interest rates and, therefore, consumption and growth, and to the creation of a European army.

Mr Jospin said that as the EU moved to monetary union, it should engage its foreign partners in reform to stabilise the international monetary system.

Mr Jospin's political opponents quickly criticised him for endangering the competitiveness of French industry by proposing to cut work hours but not pay, as President Mitterrand did when he shortened the working week from 40 to 39 hours when he took office in 1981.

Mr Balladur's office mocked Mr Jospin for speaking for 90 minutes yesterday without specifying the salary consequences of his working hours proposals.

Ex-President Valéry Giscard d'Estaing last night said he had decided to rule himself out of the race because he found "no echo" in the French public for his policy prescriptions for a federal Europe, a massive cut in payroll taxes to combat unemployment and shortening the presidential term from 7 to 5 years. But he said he might still run, if France's European commitment or its moral reputation came under serious threat.

■ STOCK MARKET INDICES

New York lunchtime		
Dow Jones Ind Av	3,959.56	(-37.0)
NASDAQ Composite	792.04	(-5.73)
Europe and Far East		
CAC40	1,748.61	(-24.64)
DAX	2,053.34	(-16.98)
FT-SE 100	2,977.0	(-24.9)
Nikkei	16,956.2	(-85.44)

■ US LUNCHTIME RATES

Federal Funds	$5\frac{15}{16}$%
3-mth Treas Bills: Yld	5.943%
Long Bond	$99\frac{13}{16}$
Yield	7.635%

■ OTHER RATES

UK: 3-mo Interbank	$6\frac{13}{32}$%	($6\frac{13}{32}$%)
UK: 10 yr Gilt	$97\frac{3}{4}$	($98\frac{5}{32}$)
France: 10 yr OAT	94.2	(95.65)
Germany: 10 yr Bund	99.3	(100.14)
Japan: 10 yr JGB	103.801	(102.686)

■ NORTH SEA OIL (Argus)

Brent 15-day (Apr)	$16.9	(16.85)

■ GOLD

New York: Comex		
(Apr)	$385.4	(380.2)
London:		
close	$382.0	(378.4)

■ DOLLAR

New York: lunchtime		
£	1.6405	
DM	1.3745	
FFr	4.8265	
SFr	1.144	
Y	90.775	
London:		
£	1.6237	(1.6412)
DM	1.3926	(1.4028)
FFr	4.969	(4.9785)
SFr	1.1635	(1.1755)
Y	91.675	(92.915)

■ STERLING

DM	2.2611	(2.3023)
Tokyo close:	Y 92.765	

Austria	Sch35	Greece	Dr400	Malta	Lm0.60	Qatar	QR13.00
Bahrain	Din1.250	Hong Kong	HK$18	Morocco	MDh15	S.Arabia	SR11
Belgium	BFr70	Hungary	Ft185	Neth	Fl 4.25	Singapore	S$4.30
Bulgaria	Lv100.00	Iceland	IKr220	Nigeria	Naira60	Slovak Rp	KSL60
Cyprus	C£1.10	India	Rs75	Norway	NKr18.00	S. Africa	R12.00
Czech Rp	CZK56	Israel	Shk7.90	Oman	OR1.50	Spain	Pta225
Denmark	DKr17	Italy	L3000	Pakistan	Rs40	Sweden	SKr17
Egypt	E£5.00	Japan	Y500	Philippines	Pso50	Switz	SFr3.60
Estonia	EKr 20	Jordan	JD1.50	Poland	Zl 42,000	Syria	S£50.00
Finland	FM15	Kuwait	Fils.625	Portugal (m'land)	Es230	Tunisia	Din1.500
France	FFr10.50	Lebanon	US$1.50			Turkey	L40,000
Germany	DM3.80	Lux	LFr70			UAE	Dh12.00

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NEWS: EUROPE

Restore sacked police chief and prosecutor, Russian president is told

Moscow's mayor in challenge to Yeltsin

By Chrystia Freeland and *John Thornhill in Moscow*

In an escalation of the power struggle between Moscow city council and the Kremlin, Mr Yuri Luzhkov, the mayor of Moscow, yesterday threatened to resign unless Russian President Boris Yeltsin rescinded his decision to sack two of the capital's top law enforcement officials.

Mr Yeltsin now faces an awkward choice between entering an open political battle with Mr Luzhkov, who has powerful supporters in Moscow's financial community and enjoys widespread popularity among Muscovites, or making a humiliating political about-turn.

Mr Luzhkov's threat to resign marks a new, public stage in a long-brewing battle between the Moscow mayor, who has been touted as a presidential candidate in the 1996 elections, and the aides and businessmen who form Mr Yeltsin's inner circle.The president's men threw down the gauntlet on Monday when the city police chief and prosecutor were dismissed.

The sackings were ostensibly a reaction to the murder last week of a respected Russian television personality, but in the Byzantine world of Russian politics they amounted to a direct attack on Mr Luzhkov and an erosion of his powerful political base in the city.

Mr Luzhkov responded yesterday by criticising the dismissals as "a violation of the constitution, the law on the police and the president's decree on the police in Moscow". He said he would challenge their legality in the courts.

Leading officials in the Moscow city government and the city's law enforcement agencies have unanimously come out in support of the mayor. Mr Gennady Zuganov, leader of the Communist party, yesterday criticised the sackings as illegal and warned that Mr Luzhkov was likely to be strengthened by the confrontation.

Meanwhile, the hardliners close to the president continued to push their law and order agenda, which has received a political boost from last week's murder. Mr Oleg Lobov, secretary of Russia's Security Council and one of Mr Yeltsin's closest allies, said the president would soon sign a decree on law enforcement giving a greater investigative role to the Federal Counter-Intelligence Service (FSK), the repackaged KGB. The decree would also aim to defend the integrity of the judicial system by giving greater protection to judges.

Mr Lobov's comments yesterday also suggested the extent to which the hardline faction within the Kremlin intends to use its law and order campaign to pursue a wider political and economic agenda.

President Boris Yeltsin (left) talks to prime minister Victor Chernomyrdin during their meeting in the Kremlin yesterday to discuss Russia's political situation EPA

Oil, arms and farm machines help pay Russia's debt to Hungary

Russia has agreed to repay part of its $900m debt to Hungary with military hardware, oil and gas storage tanks and farm machinery, Mr Gyula Horn, the Hungarian prime minister, said yesterday, Chrystia Freeland writes from Moscow.

Mr Horn, in Moscow to negotiate debt repayment and discuss broader issues of economic and political relations between Russia and its former satellite, said: "Russia will continue to deliver military technology to Hungary." In 1993 Russia settled $800m of its $1.7bn debt to Hungary *with the delivery of 28 Mig-29 fighter* aircraft.

Hungarian officials said the current barter arrangement could include air defence systems worth at least $150m.

Mr Horn also said Moscow and Budapest had discussed a three-way energy deal involving Ukraine, which has borders with both countries, to cover another portion of the debt. According to the proposed arrangement, Russia would deliver coal to Ukraine, and Ukraine would in turn supply Hungary with electricity.

The visit to Moscow by Mr Horn, a former Communist whose party replaced a conservative government generally hostile to Moscow in parliamentary elections last spring, marks an effort by Budapest to restore some of the economic links severed by the collapse of the Warsaw Pact.

Dublin vote on abortion advice

By John Murray Brown in Dublin

The Irish parliament will today vote on a bill to legalise the provision of information on abortion, the issue which three years ago bitterly divided Catholic Ireland in a referendum.

The bill should squeak through the 166-seat Irish parliament, with the ruling coalition – comprising the conservative Fine Gael, Labour and the radical Democratic Left – voting in favour of an amendment, which would allow doctors to provide information on abortion and the names and addresses of doctors outside the republic permitted to carry out abortions.

Prime minister John Bruton's Fine Gael, a rural conservative party, has stuck its neck out by pressing ahead with the legislation as part of its broader commitment to social reform.

For Labour, the issue is a test of the government's commitment to its liberal agenda: Labour has led the campaign for changes, arguing that Ireland must bring its social legislation into line with that of its European Union partners.

Inevitably, the issue has revived old rows between MPs and members of the judiciary and the powerful Catholic hierarchy. Even the Irish medical council has voiced reservations about the bill.

For health minister Mr Michael Noonan, the exercise has been a sharp reminder of the deep resistance to any measures to make abortion any easier. Mr Noonan is expected to emphasise the need to seek as broad a consensus as possible in parliament today, and has already indicated his willingness to consider amendments to include a provision to allow doctors to opt out – the so-called conscience clause.

In the 1992 referendum, 65 per cent of the electorate voted against ending the constitutional ban on abortion, although, in a separate question, there was a two-thirds majority in favour of lifting the restrictions on the provision of information.

Mr Noonan's Fine Gael has been in consultation with Fianna Fail, the main opposition party, over the past few days to reach a compromise.

Fianna Fail is the voice of Catholic Ireland. Although as a member of the previous government it was publicly committed to introducing measures to allow the provision of information on abortion, it has now reversed its position, introducing a new uncertainty into the government's calculations.

In a last ditch effort to patch up a compromise, Fianna Fail leader Mr Bertie Ahern said last night would table an amendment in the dail today. Mr Ahern is looking for a way to support the bill without a loss of face with his parliamentary party, where as many as 41 MPs have publicly indicated they will vote against it.

In Ireland, no political party wants to be remembered as the party which introduced abortion.

Bosnian minister sees threat of 'total war'

By Bruce Clark in London and Laura Silber in Belgrade

Bosnia's foreign minister said yesterday there was a risk of "total war" because Serb forces in his own republic and Croatia were preparing to launch new offensives.

The minister, Mr Irfan Ljubijankic, met Mr Douglas Hurd, the UK foreign secretary, amid hectic diplomatic efforts to head off the resumption of full-scale conflict over the next few weeks.

Pressure is mounting because Croatia has asked the UN contingent on its territory to starting leaving at the end of this month, and a ceasefire in Bosnia is due to expire at the end of April.

Diplomats said Mr Ljubijankic had warned Mr Hurd that his government would "find it difficult" to renew the truce unless international mediation had produced some progress.

The minister said afterwards he had urged the UK to tighten the sanctions regime against Serbian President Slobodan Milosevic as a way of pressing him to accept the latest peace proposals advanced by western Europe.

Mr Ljubijankic said his talks in London had touched on the "unexpected behaviour" of Russia in proposing that Mr Milosevic should be granted further sanctions relief before he has recognised either Bosnia or Croatia.

Referring to the formal military alliance announced this week by Bosnia and Croatia, Mr Ljubijankic said: "This is not preparation for war, it is preparation for defence."

He accused the Serbs of preparing a new drive to capture the north Bosnian enclave of Bihac in order to open up transport links between Serb-controlled lands in both Bosnia and Croatia.

As a result of these moves "there is a very bellicose atmosphere... which could lead to total war", the minister said.

Renegade Moslem forces led by Mr Fikret Abdic claimed yesterday to have pushed the Bosnian army 10km back towards the government-held town of Cazin, near Bihac.

Mr Kresimir Zubak, a Bosnian Croat leader, said yesterday said his forces would join the fray if fighting erupted in neighbouring Croatia.

Mr Zubak, president of the Moslem-Croat federation of Bosnia, said Bosnian Croat forces "cannot be passive if the rebel [Serb] forces in Croatia launch an offensive against Croatian armed forces because military action would spread over to Bosnia-Hercegovina".

Mr Zubak today is due to meet Mr Ejup Ganic, his Moslem vice-president, in Bonn for talks, which Mr Klaus Kinkel, the German foreign minister, said he hoped would "clear away obstacles to the full implementation of the federation".

Meanwhile, a UN official blamed Bosnian Serb forces for most of the sniping in Sarajevo which he said had increased to intolerable levels.

General Ratko Mladic, Bosnian Serb commander, warned that he would seek the withdrawal of UN troops from Bosnia if they withdrew from Croatia, according to Politika, the Serbian daily.

Mafia fights back as government weakens

By Robert Graham in Rome

A sudden wave of Mafia killings in Sicily has raised fears that organised crime is taking advantage of Italy's weak government and political confusion.

In the past 11 days eight people have been assassinated in Palermo alone. On Monday five were killed in various parts of Sicily. All have been killed in daylight in public places by gunmen usually escaping on motor-cycles.

The most significant person targeted was Mr Domenico Buscetta, nephew of Mr Tommaso Buscetta, the single most important Mafia boss who is co-operating with Italian justice under a witness protection programme agreed with the US government. He was killed on Monday as he left his Palermo jeweller's shop.

This was the 11th close relative of Mr Buscetta murdered by Cosa Nostra, the umbrella organisation of the Sicilian Mafia, since 1981. He has already lost a brother and two sons.

Mr Buscetta began turning state's evidence in 1984.

At least two other persons related to *pentiti* – former Mafia members now under witness protection programmes – have been victims. This has led Mafia watchers to conclude the assassinations are part of a new campaign to intimidate the more than 800 *pentiti*, and their dependants, from co-operating with justice.

Mr Massimo D'Alema, leader of the former Communist party of the Democratic Left (PDS), put the killings in a broader context. "After the general elections of March 27 1994, there was a relaxation in the attitude to fighting the Mafia. The polemic over the value of using the *pentiti* was reopened and the parliamentary anti-Mafia commission was not able to operate properly."

In this atmosphere, he observed: "The Mafia can breathe again, can reorganise and becomes stronger."

Former premier Giulio Andreotti testifies in court about the death of judge Antonio Scopeletti, killed by the Mafia in 1991. EPA

Mr Luciano Violante, a former head of the parliamentary anti-Mafia commission and the leading expert on organised crime, warned the killing could foreshadow attacks on leading public figures. He suggested that with the main Mafia bosses now serving life sentences in prison a leadership battle was going on among younger clan members. The latter needed to carry out violent acts to establish their supremacy.

But he also insisted the main aim was to undermine the credibility of the *pentiti* – a key instrument in the state's fight against the Mafia. Mr Violante traced the new anti-*pentiti* campaign to last month, when falsified extracts of evidence were circulated before the judicial hearing on whether former Christian Democrat premier Giulio Andreotti should be sent for trial for alleged links with the Mafia.

The evidence – telephone intercepts only obtainable from inside the Palermo judiciary – was that of Mr Balduccio Di Maggio, a former chauffeur to *Mr Salvatore (Toto) Riina*, the acknowledged boss of bosses, and a central witness against Mr Andreotti. The extracts were doctored to put Mr Di Maggio in an unfavourable light.

Another twist to the anti-*pentiti* campaign has been given by the suicide over the weekend of a carabinieri marshal. The man, directly involved in the anti-Mafia struggle, was recently fingered by a *pentito* whose accusation was repeated on a television chat-show.

Bologna bandwagon aims for Rome

Head of centre-left coalition awaits date for general election, reports **Robert Graham**

EUROPEAN INTERVIEW

For Professor Romano Prodi, the past month has been a phoney war. Since early February, when the 55-year-old economics professor from Bologna threw his hat into the political ring as head of a centre-left coalition, he has been waiting for a date for the next general election.

He is unlikely to have to wait much longer. The government of Mr Lamberto Dini is struggling to complete its limited mandate in the face of mounting opposition from the right-wing alliance headed by Mr Silvio Berlusconi, the former prime minister.

Already Mr Prodi and a small group of enthusiastic supporters in Bologna have converted a secondhand bus as the campaign vehicle for The Candidate.

"No one's ever done this here before," Mr Prodi says with obvious relish. "I'm going to go from town to town, touring the country, getting my message across."

The bus idea is wholly in character with Mr Prodi's unpretentious, homegrown view of himself in his new role as a politician. He has long been a public figure: twice head of Iri, the giant state holding company (from 1982-89 and 1993-94), and briefly industry minister under the fifth government of Mr Guilio Andreotti in 1978. But he has always eschewed the pomp of office and delights in the use of a bicycle.

The image of the bicycling professor is being used to project him as the people-friendly political leader. Usefully, this image contrasts with that of Mr Berlusconi, the media magnate-turned-politician who is his main opponent.

Mr Prodi has worked either in the state sector as a technocrat manager, or as a consultant adviser on the problems and issues affecting small and medium-sized industries, which he believes to be the lifeblood of Italy.

He is a Catholic intellectual who has been trained at the *London School of Economics* and has been a visiting Harvard professor.

Interestingly, Mr Berlusconi, too, has taken up the idea of an election bus, though his seems much more luxurious. "Berlusconi's copying me, which shows he's worried," Mr Prodi observes mischievously.

Behind almost every comment there's a sense of humour or irony, a feeling that he is still at the stage where being the candidate of the centre-left is innocent fun. Yet, when pressed, it is clear he does have ambitions: "I am not looking for rewards; but, of course, if I've entered the race, I want to win."

Prodi: "Berlusconi's copying me, which shows he's worried"

The decision was not sudden. "I decided to go into politics as early as last August, when it became clear there was a need for a new figure to stand against the Berlusconi alliance. But I was waiting for the right moment."

He was waiting to see what would happen to the centre parties, in particular, the Popular party (PPI) formed from the now defunct but long-ruling Christian Democrats, with whom he has always been associated.

He would have preferred to head a centrist coalition, but the political centre has been squeezed by the new electoral system, which has forced the parties to form two broad opposing alliances. He has thus been pushed towards the left, and he needed to be assured that he had the backing of the majority in the former communist Party of the Democratic Left (PDS).

Without the latter's organisation and resources he would get nowhere.

He plays down a suggestion the PDS was reluctant to see a novice politician foisted upon it to head a coalition in which it would be the dominant force. "The PDS recognised it was stuck with a ceiling on its vote and needed to look to other groups in the centre," he says.

He claims to be unperturbed about the potential electoral liability of being, as a moderate Catholic, linked to former Communists whom both the Catholic church and a sizeable section of the PPI have rejected as unacceptable.

His programme has yet to be published, but he enumerates four priorities: devote more attention to small and medium-sized businesses; improve schooling and education; slim down the state; and relaunch Italy's role in Europe. "I don't want to dismantle the welfare state but to make the state smaller, lighter, more efficient. The state should provide, so to speak, the software, not the hardware."

EUROPEAN NEWS DIGEST

Scepticism over market reforms

Three out of four Russians oppose their country developing towards a market economy, according to an opinion poll published by the European Union yesterday. The poll, based on interviews with 18,834 people in 18 eastern European countries, also shows Russia is seen as increasingly important in the states of the former Soviet Union.

While support for a market economy has dropped 25 points in Russia since the last annual poll by the EU public opinion organisation, Eurobarometer, support for the idea has surged 19 points in Romania, it said. And while two out of three people in eastern Europe back the free market idea, people in the Commonwealth of Independent States oppose it by two-to-one, the poll said. It shows that while more than three-quarters of those interviewed in Belarus think Russia is where their future lies, Russia's importance is seen as having shrunk five points in the Baltic states – Latvia, Lithuania and Estonia. Most people in the eastern European countries which have struck association agreements with the Union – Poland, Hungary, the Czech Republic, Slovakia, Bulgaria and Romania – thought farmers would lose from eventual full EU membership. But they thought private business and their health and social security systems would benefit from entry. *Brussels, Reuter*

Education warning for Europe

Europe's leading industrialists yesterday warned that the continent's competitiveness was at risk unless far-reaching reforms were introduced to improve education standards across the European union.

"In the view of industry the time has come to raise a cry of alarm," warns a report on education by the European Round Table of Industrialists (ERT), a group of 46 European chairmen and chief executives of top companies. "The key to remain competitive is to have a workforce that is continuously upgrading its knowledge and learning new skills, but in so many places in Europe the necessary facilities do not exist or are inaccessible," the report says.

It cites recent surveys which show that about 40 per cent of the population of several EU countries "can be considered as effectively illiterate: they cannot read with understanding either a written note or an article in a newspaper". It adds that on average more than 25 per cent of school-leavers quit before completing secondary school. *Caroline Southey, Brussels*

Dutch voters go to the polls

Dutch voters go to the polls today to elect new provincial assemblies. The election marks the first real test of public opinion since the general election in May, when the Christian Democrats were thrown out of their traditional role as a party of government and relegated to the opposition for the first time in modern Dutch politics. The three coalition parties that took power after the general election – Labour, the right-wing Liberals and left-of-centre D66 – are expected to win a majority of votes cast for the 12 provincial assemblies, with opinion polls putting their support at 57 per cent, slightly more than the 59 per cent gained in May. Campaigning has been subdued and dominated mainly by local and regional issues. Turnout is expected to be low by Dutch standards, rivaling the record low of 52 per cent seen in the previous provincial elections in 1991. *Ronald van de Krol, Amsterdam*

Austria drops war anniversary

Austria has dropped plans for an international celebration of the 50th anniversary of its liberation at the end of the second world war, President Thomas Klestil's office yesterday.

The planned gathering of the heads of states of the four victorious allies – Russia, Britain, France and the US – together with their foreign ministers was "no longer topical", the presidency said in a statement.

"In view of the postponement of the visit to Austria by [Russian] President Boris Yeltsin and the lack of confirmations from the other heads of state... celebrations of the 50th anniversary of the end of the war and the founding of the Second Republic will now be held in parliament," it said. Only Mr Yeltsin had formally agreed to come, placing Austria in the delicate position of possibly having to welcome him alone. The main celebration of the 50th anniversary of the end of the war is taking place in France.

The decision was greeted with ill-disguised relief in Vienna, because of Russia's insistence on a declaration that would have reaffirmed the 1955 state treaty between Austria and the allies and the law enshrining Austria's permanent neutrality. Mr Klestil called the demand "unacceptable".

There is also some lingering resentment over the role of Soviet forces in occupied Austria. Many older Austrians still hesitate when asked whether the Red Army liberated their capital or defeated and occupied it. The army blasted its way into Vienna at the beginning of April 1945 in bitter street fighting against Nazi German forces including many Austrians. Other allied forces entered mostly unopposed from the west and south. *Reuter, Vienna*

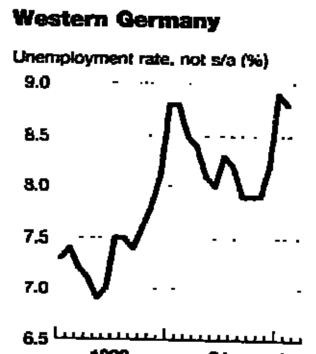
EBRD backs business students

Up to 100 central and eastern European students a year will be supported by a new MBA financing scheme launched yesterday by ABN Amro Bank and the European Bank for Reconstruction and Development (EBRD).

The loan guarantee scheme – for which $11m is initially being made available – is aimed at increasing the supply of qualified young managers in the region. The first business school to participate will be Insead, based near Fontainebleau, France, but two other top-tier international schools are expected to join by no later than spring 1997. Insead already has about 20 eastern European students on its one-year MBA programme, and expects this to rise to 50 with the support of the new loan scheme. To be eligible for a loan – equivalent to the cost of one year's tuition – candidates must already have been offered a place at one of the selected schools and declared their intention of returning to eastern or central Europe. *Tim Dickson, London*

ECONOMIC WATCH

German unemployment falls



The number of people unemployed in Germany fell by 23,000 in February, bringing the number of jobless people in all of Germany to 3.827m, about 9.9 per cent of the total workforce, the Federal Labour Office said yesterday. The February fall means there are 215,500 fewer people out of work than at the same time last year. In the corresponding period in 1994, 10.5 per cent of the total workforce was out of work. Improved economic conditions in west Germany were largely responsible for the improvement. Last month the number of west Germans out of work fell by 24,900 to 2.27m, a drop of 22,300 on the same period in 1994. The unemployment rate in west Germany in February was 8.8 per cent, down slightly from 8.9 per cent in January. In eastern Germany unemployment rose slightly in February, by 1,900 to 1.107m, or 14.7 per cent of the workforce. Compared with the same month in 1994, when the unemployment rate in the east was 17.3 per cent, there were 193,200 fewer unemployed. The Federal Labour Office said that while there had been a welcome decrease in the number of people on short-term contracts, the numbers of long-term unemployed remained worrying. *Frederick Studemann, Berlin*

Settlement after short strike raises awkward questions, writes **Andrew Fisher**

Unions hail IG Metall deal

It can hardly be of comfort to most German employers and the Bundesbank, the central bank guardian of monetary stability, that the settlement in the engineering industry won by the IG Metall trade union was quickly welcomed by unions in other sectors.

After a brief strike in the prosperous southern state of Bavaria, and some tough talking on both sides, IG Metall's negotiators ended up with a deal higher than original expectations. It was lower than their claim of 6 per cent but well above the 3 per cent that most economists regarded as acceptable.

This has obvious implications for other industries. Mr Bruno Köbele, head of the 1.1m-strong IG Bau union, which is claiming 6.5 per cent, congratulated IG Metall on the deal.

"This compromise is a good starting point for our own wage negotiations," he said. Mr Herbert Mai, head of the ÖTV public sector union, which will make its claim later this month, said the engineering result was "gratifying".

The traditionally moderate IG Chemie union is sticking to its 6 per cent claim, with talks resuming today in the Hesse region, which contains the Hoechst chemical group. Employers have offered 2.3 per cent – the latest annual inflation rate – and the union has rejected this.

Despite the size of the engineering settlement, however, it has bought two years of wage peace at a time when many manufacturers' order books are swelling.

IG Metall said it would be worth 4 per cent this year; employees will receive a DM152.50 (£66.30) monthly payment for January to April inclusive, a 3.4 per cent rise from May, and 3.6 per cent from November 1995 to December 1996.

Engineering industry employers will undoubtedly claw back some of the increase through productivity gains, especially as the working week is also being shortened to 35 hours from October under a previous agreement.

Industry's yearly productivity growth is about 8 per cent, though economists expect this to slow considerably as the impact of the cost-saving measures of the recession year of 1993 recedes. The settlement raises awkward questions about growth, jobs, inflation and interest rates. It means, said Salomon Brothers, the US investment bank, that wage gains in the engineering sector will be "substantially above expectations" this and next year.

"If other union settlements prove higher than expected, core inflation expectations will rise in 1995 and 1996."

The strength of the D-Mark as a haven currency will damp inflation, which may moderate the Bundesbank's concern over the engineering pay rise.

"The Bundesbank is unlikely to change its monetary stance while the D-Mark continues to climb and a further unexpected appreciation could still delay the start of Bundesbank tightening," Salomon said.

The central bank has not changed its short-term interest rates since last summer. The discount and Lombard rates have been at 4.5 per cent and 6 per cent respectively since May. It became clear late last year that the next move was likely to be up, but economists disagree on the probable timing. The Bundesbank's last monthly report gave a clear warning that tighter policies would follow any worsening of the inflation trend.

Thus yesterday's settlement, in an industry in which many smaller companies complain bitterly about cost problems and cheaper foreign competition, will certainly give the Bundesbank little joy.

"The Bundesbank will be rather unhappy about the settlement," said James Capel, the UK stockbroker. It expected inflation to edge up later this year and average 3.3 per cent in 1996. "As a result, a rate move by the Bundesbank in the second quarter of this year is still on the cards."

Dresdner Bank was less pessimistic about inflation but scathing about the wage deal. The result was about half a percentage point above what it expected and thus sent "a false signal". The high D-Mark was already hampering exporters and the pay increase would exacerbate this disadvantage.

The strong currency would help keep prices down. Wage deals in other industries would lead to a smaller rise in labour costs, as no further cuts in hours were planned. Thus inflation could still ease below 2 per cent this year (this is the Bundesbank's target level) and edge up to about 2.5 per cent in 1996.

Editorial Comment, Page 15

The new deal compared with last year's

1995
- Monthly DM152.2 cash payment January to April; 3.4% increase May to October
- 3.6% increase November to December
- Previously agreed 35-hour week effective from October at full rates
- IG Metall says deal worth 4% this year; employees put figure at about 3.8%

1994
- Core wages increased 2% June to December: average increase 1.17% for year
- Increase largely offset by cut in Christmas bonus from 60% to 50% of a 1994 monthly wage

BAe-Dasa in formal battle for wing deal

By Bernard Gray, Defence Correspondent

British Aerospace and Daimler-Benz Aerospace are to hold a formal competition to decide which company should build the wings for the military transport Future Large Aircraft. A technical competition between different designs will be held this summer and will include wind-tunnel tests as well as paper comparisons of cost and capability.

The competition is likely to be fierce. It comes despite the UK's decision to rejoin the FLA project last December when it was assumed that BAe, as the wing manufacturer for the Airbus consortium, would make the wings for the new European military aircraft.

Mr Roger Freeman, the UK defence procurement minister, has said that it would be illogical to duplicate BAe's wing plant at Chester in northern England and that the UK was working on the assumption that BAe would build the FLA's wings.

"Chester has built 1,700 pairs of wings for Airbus and it makes sense for that state-of-the-art factory to build the 200 pairs needed for the FLA," Mr Freeman said recently. The British government agreed in principle to rejoin the FLA project, which it left in 1989, provided it could be built at an acceptable cost and was managed by the Airbus consortium as a commercial venture.

About 40 FLA would be used to replace half of the Royal Air Force's Hercules transport fleet and its VC-10 transport jets. France and Germany have indicated a need for about 60-70 FLA for their armed forces.

BAe won a similar fight for the Airbus wings

Dasa is unlikely to give BAe a free run at wing design, however. It is known to want to move into higher technology parts of aircraft manufacturing, particularly final assembly and wing production. At present Dasa is responsible for fuselage work on Airbus aircraft and final assembly on the A321, while Aérospatiale of France builds cockpits and BAe makes wings.

Dasa is thought to wish to develop the capability to build all parts of an aircraft, an ambition which would be set back if BAe retains work on the FLA's wings.

A similar competition was held for the wings of the A340 aircraft, which was won by BAe. However, in the new competition Dasa is thought to be offering a wing made of composite materials while BAe favours a more traditional aluminium design.

BAe said that a competition would be held this summer to determine which wing design would be selected, but that there would be a further competition for which company could manufacture the wings most cheaply.

"We are confident that we have the best wing design team in the world," said a BAe spokesman. Given that the FLA wing will be very different to other Airbus wings, however, it will require entirely new tooling to make it. With heavy investment in new tools needed, the cost of entering production as a new manufacturer relative to an old are lower. That gives an alternative company, such as Dasa, an opportunity to break into the wing manufacturing business.

Glimpse of the future: a mock-up of how Europe's Future Large Aircraft (FLA) will look in flight

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Madrid admits using bogus Laotian police tale in Roldán capture

Asia arrest mystery deepens

By Tom Burns in Madrid

The mystery surrounding the capture in South-East Asia last week of Mr Luis Roldán, the former chief of Spain's Civil Guard police force, deepened yesterday as Mr Juan Alberto Belloch, the justice and interior minister, admitted at a parliamentary hearing that the arrest involved the use of bogus Laotian policemen and documents.

Mr Belloch, who rejected calls for his resignation, said the handover of Mr Roldán to Spanish security officers in Bangkok had been conducted with the acquiescence of Mr Roldán, but insisted that no bargain had been struck with him.

The latest embarrassment for the government came as the peseta continued to weaken for the second day running after its 7 per cent devaluation. This fuelled predictions that interest rates will be increased to defend the currency, and put pressure on the Economy Ministry to come up with a fresh package of fiscal measures. The pesesta fell to Pta92.50 to the D-Mark, a full peseta down on Monday's fix.

'There was no evidence that Mr Roldán had ever been in Laos'

Mr Roldán was for 10 months Spain's most wanted man. He is accused of embezzlement while head of the 75,000-strong paramilitary police corps between 1986-93. He is currently being held in a wing of a provincial women's prison, guarded by members of the elite commando police force.

Last week Mr Belloch witheld details of Laotian documents accepting Mr Roldán's extradition and then admitted their existence after they were published in the press. In a revised version of Mr Roldán's detention, Mr Belloch conceded that on the basis of the documents the ex-security chief could only be tried for two of the seven charges he faces in Madrid.

Yesterday Mr Belloch confirmed subsequent press reports that the documents were false a Vientiane foreign ministry note to the Madrid government said there was no evidence that Mr Roldán had ever been in Laos and, turning the forgeries to his advantage, said nothing now hindered judges pressing full charges against Mr Roldán.

Mr Belloch said the government had acted in good faith, had "never tried to deceive anyone" and had taken a major "step against corruption" by successfully taking Mr Roldán into custody. An opposition spokesman accused the minister of a "gigantic international fraud".

NEWS: INTERNATIONAL

INTERNATIONAL NEWS DIGEST

World tourism growth picks up

International tourism in the 25 countries of the Organisation for Economic Co-Operation and Development – which account for 80 per cent of total tourism – increased significantly in 1994 over the previous year, the OECD said yesterday. Preliminary figures showed nights in accommodation were up 4 per cent last year compared to 1993 when such growth was 1 per cent over 1992. Arrivals at frontiers increased by 4 per cent. Receipts in dollar terms were up 5 per cent to $228bn but, in real terms (adjusted for inflation and dollar rate fluctuations), grew at 2.6 per cent compared to 3.4 per cent in 1993.

Most Mediterranean countries recorded growth rates of nights in accommodation between 10-18 per cent. The UK, Belgium and the Netherlands showed more modest growth while Austria and Denmark showed falls, partly because of fewer German tourists who account for about 70 per cent of all nights in accommodation there. In the American region, Canada enjoyed the highest growth of arrivals partly because of depreciation of the Canadian dollar. Asia-Pacific (Australia, Japan and New Zealand) recorded growth of arrivals of 8 per cent compared to 5.5 per cent in 1993, but the rate of growth of nights in accommodation fell to 5.9 per cent from 6.4 per cent.

The OECD said intra-regional tourism was the main engine of growth although long-haul travel was recovering. It predicts continued growth in international tourism this year against a background of increased competition among destinations. *Scheherazade Daneshkhu, Leisure Industries Correspondent*

Kuwait property shares offered

A Kuwaiti investment company this week will offer 120m shares for sale to the public in a local property company as part of a government privatisation programme, an official of the investment company said yesterday. "We will offer 120m shares of the 220m United Realty Company shares we bought in February to meet the terms of our contract," a Kuwait Investment Projects Company (Kipco) official said. Only nationals of the Gulf Co-operation Council (GCC) may buy shares. The GCC comprises Kuwait, Saudi Arabia, Qatar, Bahrain, Oman and the United Arab Emirates. Kipco last month bought a majority stake in United Realty from the government under a privatisation plan. The 220m shares bought from the Kuwait Investment Authority, the state's investment arm, represent 90 per cent of United Realty. *Reuter, Kuwait City*

Israeli conscripts on site

Israeli army conscripts are to be trained as building labourers to fill jobs left by Palestinians who are no longer allowed into the country, military officials said yesterday. A first batch of 200 soldiers serving the statutory three years in the army have been picked out by officers and the labour ministry. Under project "construction challenge" they are to follow an intensive three-month course in the basics of building.

Many building sites have been idle since the closure of the Gaza Strip and the West Bank on January 22 when a suicide bomber killed 21 Israelis. Some 50,000 Palestinians had work permits for Israel before the closure, but only 18,000 permits have been issued since the reopening two weeks ago. Before the 1991 Gulf war some 120,000 Palestinians worked in Israel. Israel has imported some 60,000 foreigners to take over from the Palestinians, but Labour Minister Ora Namir wants to reduce unemployment which stands at about 8 per cent of the Israeli workforce. *AFP, Jerusalem*

Indonesia suffers from $ fall

Indonesia has warned of an adverse impact on its finances arising from the dollar's fall against the yen. "The weak dollar certainly will not benefit us," Mr Ginanjar Kartasasmita, Indonesia's planning minister, said yesterday. Much of Indonesia's foreign debt is denominated in yen although most of the country's exports are denominated in dollars. The government is trying to cut Indonesia's foreign debt, which fell to $87.6bn in December from $93bn in September. Mr Ginanjar said Indonesia would continue to accept dollar-denominated aid to finance development programmes. *Manuela Saragosa, Jakarta*

IMF lays plans for financial co-operation

By Robert Taylor, Employment Editor, in Copenhagen

The International Monetary Fund is planning an initiative at next month's interim committee meeting in an effort to prevent further financial crises like that which hit Mexico.

Mr Michel Camdessus, the organisation's managing director, told the United Nations' social summit yesterday the proposals would involve measures to strengthen international financial co-operation.

These would require decisions in three areas:

- "A significant strengthening" of the IMF's capital base, although Mr Camdessus did not specify a figure;
- The creation of a last-resort financial safety net for the world by developing the role of special drawing rights (SDR);
- Reform of the IMF's enhanced structural adjustment facility to make it better suited to help poorer countries, particularly in Africa, by making it available over longer time periods than at present.

Mr Camdessus also said the IMF would strive to deal with the underlying causes of the present instability in global capital movements, which he blamed partly on weak macroeconomic and financial policies of countries and what he described as "inadequate internal controls on financial institutions".

He added there was a need to "avoid yielding to the temptation to return to controls and protectionist measures" which he said would "only precipitate deeper recessionary effects". "Nothing would be more damaging to the real social progress we all want to promote," he said.

The IMF's managing director added the "sobering" lessons of Mexico's fiscal crisis were that structural adjustment efforts had to be continuous and that positive private capital flows did not signal an end to the need for internal macroeconomic discipline.

He told the conference the events in Mexico had shown the rapid contagion effects in integrated financial markets that endangered what he called "many remarkable achievements" in economic growth in many developing countries and the substantial increase in private capital investment flows in their direction.

"The need for international policy co-ordination and multilateral surveillance in economic and monetary matters has become more essential than ever," he said.

Mr Camdessus also warned there was a risk of "more rapid marginalisation of countries that fail to integrate themselves into the global economy" with a resulting divergence in living standards.

He added the IMF wanted to see the United Nations build up a "social pillar" to match the IMF, the World Bank and the World Trade Organisation. Until now, he said, UN action on social issues had been "fragmented and ad hoc" and the financing it had attracted had been "frequently both too little and too late".

Shimon Peres, Israeli foreign minister, consulting advisers during talks near Amman yesterday with Palestinian, Jordanian and Egyptian representatives about refugees who fled the 1967 five-day war. The Arab side had indicated before the one-day gathering they would test Israeli willingness to take back the displaced Palestinians, estimated to number about 700,000 people. *Reuter*

Christopher's shuttle aims to end Golan Heights deadlock

By David Gardner, Middle East Editor

Mr Warren Christopher, US secretary of state, today begins a week-long shuttle between Middle Eastern capitals in an attempt to re-energise the faltering peace process between Israel and its Arab neighbours.

The US will concentrate most of its diplomatic fire on trying to break the impasse between Israel and Syria, whose negotiations on peace in exchange for the return of the Golan Heights – captured by Israel during the 1967 six-day war – broke down last December.

Mr Christopher will also try to persuade Israel and the Palestine Liberation Organisation to push ahead with their 1993 outline peace deal, now stalled over Israeli reluctance to extend gradual Palestinian autonomy from Gaza and Jericho to the rest of the Israeli-occupied West Bank.

There is little expectation within the region of any breakthrough, but mounting concern that the chance of a comprehensive peace, or even a series of partial settlements, is slipping away. The so-far best-anchored deal, between Israel and Jordan, also risks being undermined because of moves last month in the US Congress to slash back a planned write-off of Jordan's debt to the US.

Mr Christopher is due in Cairo today. From there he is due to go on to Israel and to Gaza for a meeting with Mr Yassir Arafat, the PLO chairman, and to Syria, Jordan and Saudi Arabia.

Hopes for progress on the Israel-Syria peace track have dimmed. Mr Yitzhak Rabin, the Israeli prime minister, last weekend reiterated that he would only contemplate a full withdrawal from the Golan after a "test period" of Syrian intentions, during which Damascus would be expected to normalise fully its relations with the Jewish state, including open borders and the exchange of embassies.

Syria's President Hafez al-Assad has flatly rejected a gradual withdrawal of Israeli forces from the Golan. "We will not endorse any settlement that does not meet our needs and preserve our honour," he said in Damascus last week.

"The solution is clear, and there is only one solution," a senior Egyptian official said, "full peace for total withdrawal". Egypt and Syria want Washington to bring pressure on Mr Rabin to shift his stance, and Mr Christopher is likely to focus on a system of mutual security and early warning guarantees after an Israeli withdrawal.

However, Mr Rabin's coalition government has become deeply unpopular as a result of increased attacks on Israelis by Islamic fundamentalists from the occupied territories, and a new onslaught by the Iranian-backed and Syrian-tolerated Hizbollah militia in southern Lebanon.

Mr Yossi Beilin, the deputy foreign minister and one of the chief Israeli architects of the peace process, warned ahead of the Christopher shuttle that chances of moving forward would evaporate by this summer, by when both Israel's Labour-led coalition and the Clinton administration would move into next year's election cycles under pressure from their respective right-wing oppositions.

Yemen's need for reform exceeds its ability

Hopes that national reconciliation might lead to stability are evaporating, writes **Robin Allen**

After three visits to Yemen in less than six months, a joint team from the International Monetary Fund and the World Bank has returned to Washington in near despair – to complete a report on how to restructure the country's ailing economy which Yemen's leadership is incapable of implementing and has partly rejected in advance.

At first sight, Yemen looks the perfect candidate for international aid and investment. About the size of Spain, strategically located in the south-west of the Arabian peninsula astride vital shipping lanes at the entrance to the Red Sea, Yemen is one of the poorest countries in the Middle East with its 15m people enjoying an annual per capita income of about $700.

It has more than enough oil products for its own use from crude production of 340,000 barrels a day with some to spare for export. Proven gas reserves of 16,000bn cubic feet from the Marib area in northern Yemen alone justify investment in several gas-based industries, both for export and to help stimulate the domestic economy.

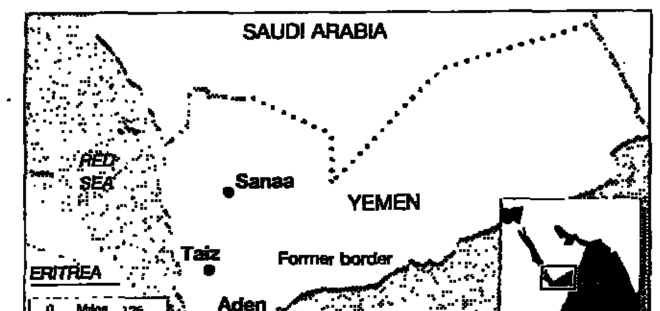
Invested in, these industries could provide jobs for a workforce suffering unemployment of up to 50 per cent.

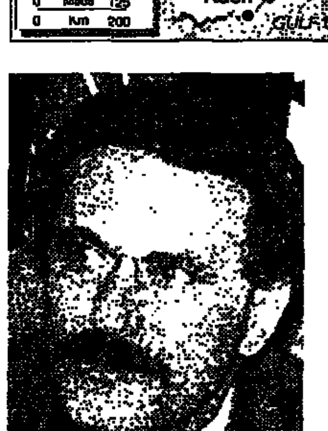
And the port and refinery at Aden, which once flourished and are still professionally managed, could return to full capacity given the investment.

The IMF and World Bank propose that the budget deficit be cut by slashing subsidies, the number of exchange rates be reduced and more of the economy be devolved to the private sector. This would be unexceptionable were it not for the peculiar nature of Yemen's tribal political structure, the arcane system of state subsidies which encourages smuggling and the prevalence of the *qat* leaf, a cash-crop and mild stimulant chewed by most of the 12m northern Yemenis. Its production and distribution makes up a third of Yemen's gross domestic product.

Hopes that national reconciliation after a bitter civil war last year might lead to economic and political stability are evaporating. Yemen may have a "parliament", even a "cabinet" and ministers. But power is in the hands of the president, his family and the military and tribal clique from the Zaydi sect – a branch of Shia Islam – around him. The Zaydis comprise only 20 per cent of the population, but they control the armed forces.

In spite of this, the Zaydi central government has always had trouble controlling the population outside Sanaa and the main cities. The tribes near the Saudi border are largely autonomous. Central government authority is also contested by the Sunni majority in the commercial and industrial heartland around Taiz, near the southern Yemen border.





President Ali Abdullah Saleh

By contrast, the history of southern Yemen is one of a strong secular central government, exercised from Aden, first by the British colonial government until 1967, then by 22 years of oppressive Marxist rule which ended in 1989 with the collapse of the Soviet Union. Most of the south is desert but half its 3m people are urban, attracted to Aden first by the trading potential, then by jobs in heavy and manufacturing industries.

Unity was a fact by the time oil was discovered in 1990, and the south progressively resented northern control over, and its perceived lack of interest in, the south's economy. Now it feels more than ever victimised and ignored.

The government has not produced a budget for three years. Current expenditure on public sector salaries and subsidies is reckoned to take up a third of gross domestic product. According to one minister, subsidies cost the government $400m a year, thought to be more than 70 per cent of this year's budget deficit. This will reach YR62bn ($564m at the free market rate or a staggering $5bn, half of estimated GDP, at the official rate).

But these figures are as fanciful as all the others. Statistics of national income are vague as discrepancies between the official and black market rates of exchange make them meaningless.

Meanwhile, inflation is running at more than 100 per cent a year; unemployment, especially in the south around Aden, is up to 50 per cent. Price riots in December 1992 and January 1993 in Taiz were symptomatic of widespread disaffection.

The leadership maintains no less than seven different rates of exchange. The official rate is YR12 to $1. But favoured individuals get hard currency at YR4 to $1 to buy "essential imports", for example steel; although the dollars are more likely to be changed on the local market at the "black" rate of YR110-115. Between these two extremes five other levels operate.

"The situation has reached the point where the state's job is to print money," says a deputy prime minister, whose Islamic Reform party is reported to be having second thoughts about staying in the government.

Those who suffer are local businessmen who are not part of the racket. From time to time the police arrest the money-changers for operating "illegally" and merchants for not enforcing price controls. The money-changers are quickly replaced by employees of tribal sheikhs who walk the streets offering the same black market rates; the merchants are released.

Meanwhile subsidised electricity is sold at a fifth of what it costs to produce. A litre of water costs twice as much as a litre of petrol, which sells at YR6, half the price in Saudi Arabia. So it is smuggled out and sold there; along with fruit, vegetables, sugar, rice and a host of other products also propped up by subsidies.

The leadership, which manipulates and benefits from this system of subsidies and multiple exchange rates, does not want the World Bank or anyone else tampering with it.

But simple financial logic may dictate otherwise.

"The government is between a rock and a hard place; Yemen's moment for aid has passed," was the verdict from senior western diplomats last week. The structure will only collapse either when the currency is so devalued that President Ali Abdullah Saleh's power base is eroded; or when the public's endurance is stretched to breaking point and demonstrations are so widespread they cannot be contained.

Luanda turns to oil-rich Cabinda

By Robert Corzine

An effective ceasefire in the Angolan civil war could result in the Luanda government shifting its military attention to secessionist rebels in the oil-rich enclave of Cabinda.

A report being prepared by Control Risks, the UK-based security and political risk consultants, suggests that peace between MPLA forces and Unita units in the main part of the country could free large numbers of government special forces for re-deployment to Cabinda, which is separated from the rest of Angola by a 25km strip of Zairean territory.

The present ceasefire is, however, under pressure, with both sides charging the other with multiple violations. The peace agreement between the government and Unita calls for the demobilisation of the rival armies, the formation of a new joint defence force and a political settlement giving Unita a role in government.

Tension between the two sides rose this week, with the Angolan government warning the agreement was in danger of breaking down. In a statement faxed to Reuters on Monday night, Unita said the government was "determined to unleash a large-scale offensive against Unita positions" in the central highlands, a diamond-mining area.

About 7,000 United Nations peacekeepers are due to be deployed in Angola once there is a end to hostilities. That could be the signal for a shift in focus to Cabinda, according to Control Risks.

Mr Roger Dunn, the report's author, says about 10,000 Angolan government troops are based in Cabinda. But most defend coastal oil installations and rarely conduct offensive operations in the interior against the 3,000 or so secessionist rebels grouped in various factions of Flec-Renovada, the Liberation Front for the Cabinda Enclave - Renewed.

Mr Dunn said the Luanda government will probably have to seek an eventual political accommodation with Flec. But it appears to want to enter any negotiations from a position of military strength.

The threat of attacks from Cabindan separatists has prevented international oil companies from carrying out seismic studies and other exploration activities in the onshore sections of the enclave. Occidental, British Petroleum and Fina hold licenses to three onshore exploration blocks in partnership with Sonangol, the Angolan state oil company.

Offshore oil production in Cabinda is at record levels, having grown rapidly in recent years in spite of the civil war in the rest of the country. The growing use of offshore processing and tanker loading facilities means much of Angola's oil no longer needs to be piped ashore before being exported.

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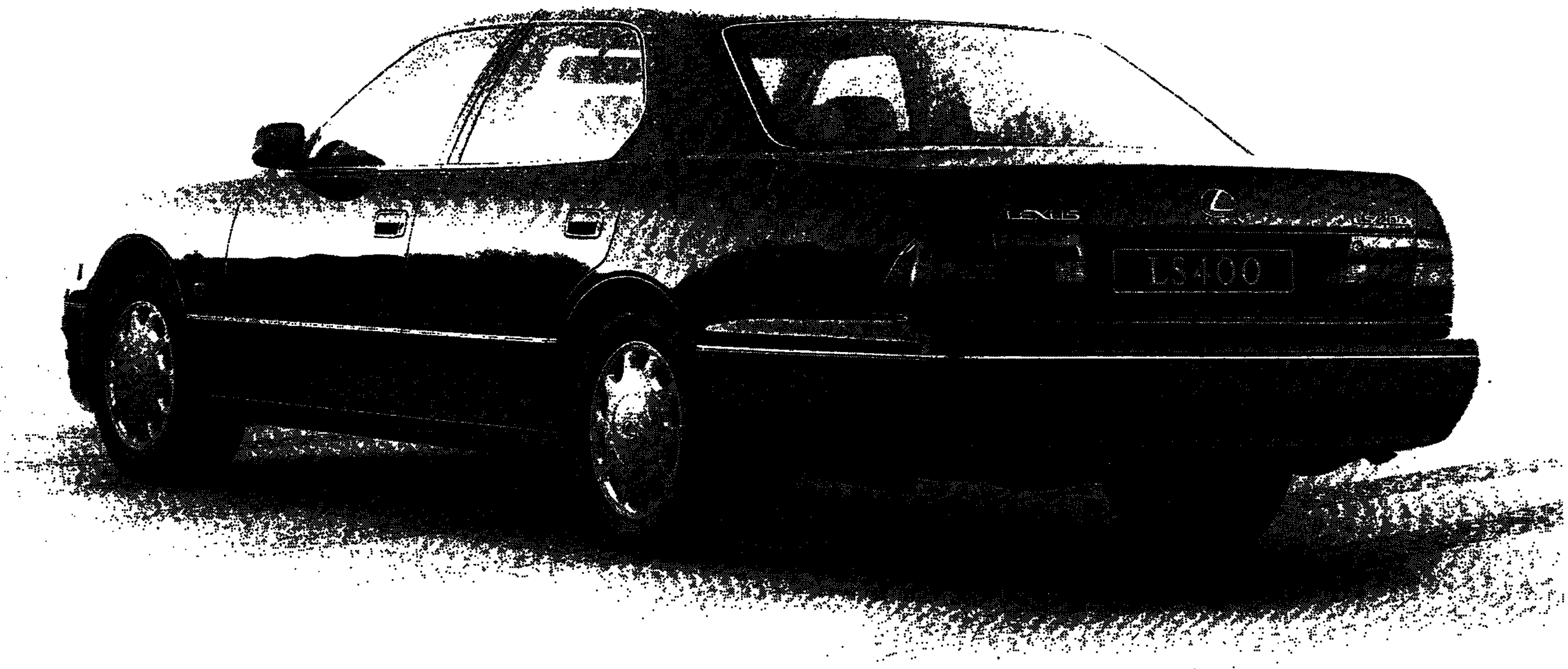

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Death penalty is reinstated by New York

By Richard Tomkins in New York

Capital punishment is to return to New York State after a break of nearly 20 years. Mr George Pataki, who last year became the first Republican governor of New York State in 20 years, yesterday signed the death penalty bill into law after it was overwhelmingly approved by the state senate on Monday night.

The law will make New York the 38th US state to restore the death penalty since 1976 – the year in which the Supreme Court cleared the way for the reintroduction of capital punishment after declaring it unconstitutional four years earlier.

New York's legislature has passed death penalty bills every year for the past 18 years, but on each previous occasion the Democratic governor of the day – latterly Mr Mario Cuomo – has used his veto to block it.

State Senator Dale Volker, a Republican and former police officer who had campaigned vigorously for the death penalty, said the bill, introducing death by lethal injection for first degree murder, would send a message to criminals that the state had "got tough on crime".

Opponents bitterly criticised the move. A leader in the liberal New York Times spoke of the "basic barbarism" of the death penalty and said its reintroduction "ought to shame" the senate, assembly and governor.

New York's move comes as politicians in the US react to rising public anger over violent crime. At least three other states are debating the reintroduction of capital punishment, tough anti-crime laws are being passed, and rates of incarceration have reached an unprecedented high.

Last week a 27-year-old Californian made newspaper headlines when he was given a prison sentence of 25 years to life for grabbing a slice of pepperoni pizza from some children on a beach. Having previous convictions, he was imprisoned under the state's "three strikes and you're out" law.

According to the Washington-based Death Penalty Information Centre, which is opposed to capital punishment, the US is the only western industrialised nation that imposes the death penalty.

In the 19 years since the Supreme Court allowed the reintroduction of capital punishment, the US has executed 266 prisoners by lethal injection, electrocution, the gas chamber, hanging or firing squad. The last person to be executed in New York State was Eddie Lee Mays, a 34-year-old armed robber who was electrocuted on August 15 1963.

The New York law, which takes effect on September 1, will make about 10 crimes punishable with death by lethal injection. These include murders commited during rapes or robberies, serial killings, contract killings, and murders of police officers on duty.

US may ease Cuba sanctions

By Jurek Martin in Washington

The Clinton administration is considering easing modest sanctions which were imposed on Cuba last year in the wake of the most recent outflow of emigrants from the Caribbean island.

Mr Mike McCurry, White House press secretary, said President Bill Clinton's foreign policy aides had been considering ending the ban on Cuban exiles sending cash to relatives on the island, and easing limits on travel to Cuba by US citizens.

Responding to a report in the Washington Post yesterday, Mr McCurry said that Mr Clinton had not yet personally reviewed any recommendations from either the state department or the national security council.

He added that there was no plan to dismantle the 30-year embargo on Cuba, which he described as "an effective tool to convince [President Fidel] Castro of the wisdom of political and economic change".

The additional sanctions were imposed after 30,000 Cuban boat people had left the island last summer.

Easing them was described as part of a "calibrated response" by the US which might lead to broader discussions with the Cuban leadership on political and economic issues.

Even a modest relaxation by the administration is bound to encounter opposition from politicians such as Senator Jesse Helms, chairman of the foreign relations committee, and from the politically powerful Cuban communities in Florida and New Jersey.

Earlier this year Senator Helms sought to make the severence of Mexico's diplomatic relations with Cuba a condition of aid to Mexico.

Mexico says US and IMF emergency funding not at risk

Peso weakness threatens targets

By Leslie Crawford in Mexico City and George Graham in Washington

The continued weakness of the Mexican peso means that the inflation and other targets negotiated as part of the International Monetary Fund and US Treasury packages will have to be renegotiated, economists say.

However, Mexican finance ministry officials yesterday denied that the delay in implementing a new economic programme might affect the country's access to the $20bn (£12.3bn) US aid package and $18bn IMF standby programme agreed last month.

Mr Alejandro Valenzuela, the finance ministry's director for international financial affairs, said Mexican authorities were in "permanent consultation" with the US Treasury and that funds made available from the US Exchange Stabilisation Fund were not at risk.

However, US economists said the peso's slide will have a big impact on many of the targets agreed between the IMF and the US Treasury over the last two months. This means they will have to be renegotiated at some point before further funds can be drawn.

Such renegotiations of IMF targets are common, but the deep controversy over the rescue package in Washington may make it less easy for the US Treasury. Republicans and Democrats in Congress yesterday continued to attack policy towards Mexico, calling on the Clinton administration not to give any more money.

Senator Alfonse D'Amato, chairman of the Senate banking committee, wrote to Mr Robert Rubin, the Treasury secretary, to warn that the US had "entered into a quagmire", and urged him not to disburse any more of the $20bn package.

But the Treasury said it planned to go ahead and most senior congressional leaders indicated they would not challenge the rescue plan.

Nevertheless, unhappiness continues to mount in Congress. Even relatively sympathetic members of the House of Representatives yesterday attacked Mr Lawrence Summers, Treasury undersecretary for international affairs, over Mexican policy.

Congressman Benjamin Gilman, committee chairman, said he would not support efforts to stop the administration from using the exchange stabilisation fund to help Mexico, but warned he was "determined that US taxpayer funds be used wisely, efficiently and cost-effectively".

Mr Summers said Mexico had not yet drawn on the $20bn package, but had drawn $3bn under a previous short-term swap agreement with the Treasury and the Federal Reserve. He expected, however, that Mr Rubin would authorise a first drawing from the larger package when the Mexican authorities asked for it.

Mr Summers yesterday delivered his most explicit defence so far of the Treasury's policy advice to Mexico last year.

"American officials warned their Mexican counterparts repeatedly and with increasing urgency as the year went on that policy was on an unsustainable path. Our warning was that Mexico was borrowing and creating credit at a rate that was inconsistent with their exchange rate," he said. "Unfortunately, the Mexicans ignored these warnings."

Mr Summers said US advice had at first been that Mexico must take one of a number of policy options to address the exchange rate problem, which could have included devaluation, changes in credit policy or policies to encourage capital inflows. But by the time Mexico decided to devalue, he said, the country's foreign exchange reserves were disappearing so fast that devaluation was inevitable.

The peso was being traded at 6.825 to the dollar at midday yesterday. On Monday it had fallen to 7.0 before it firmed on central bank intervention to 6.555 at the close.

Package fails to tame the bears

Stephen Fidler on why confidence in Mexico has not been restored

The slump in the Mexican peso this week suggests that the promise of a US-led international rescue package has not been enough to restore economic confidence shattered by the surprise devaluation in December.

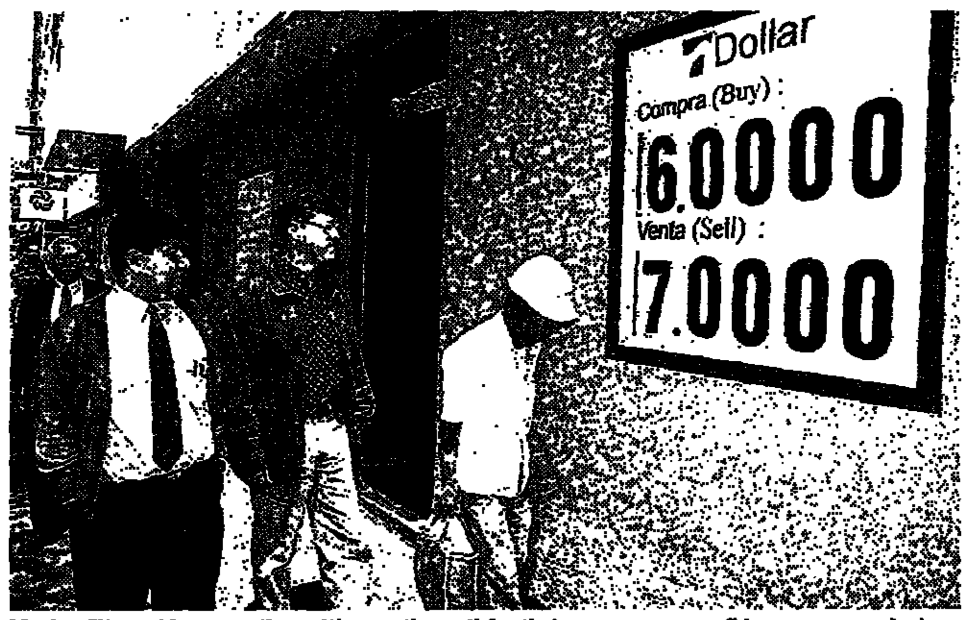
This impression is reinforced by figures released over the past week in Mexico indicating limited flows of private capital into the country in the first two months of the year, in spite of high interest rates that are hurting some banks and companies.

The peso, the single most important weathervane of economic confidence, touched 7 to the dollar this week, half its value before the currency was devalued 2¼ months ago.

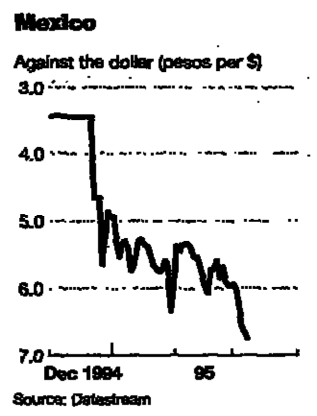
According to figures from the Mexican central bank, Mexico's foreign exchange reserves at the end of February amounted to $8.98bn, up from $3.48bn at the end of January and $6.15bn at the end of last year. But this increase followed borrowings of $7.6bn from the International Monetary Fund and $3.36bn from the US and Canada.

Thus, foreign reserves net of this fell into negative territory during February. In the first two months of the year, the central bank also redeemed $10.5bn of *tesobonos*, dollar-denominated short-term securities, close to half of which may have been in the hands of foreigners, while banks also paid down some $2.7bn of foreign currency liabilities.

Thus, in the first two months of the year, the Mexican government has largely succeeded in exchanging dollar-denominated debt in the hands of foreigners which it may have been able to reschedule, for debt to the IMF and the US which is not reschedulable.



Mexico City residents see the writing on the wall for their currency as confidence appears elusive



At the same time, demand for dollars has continued to outstrip demand for pesos. Mr Alejandro Valenzuela, the finance ministry's director for international financial affairs, yesterday attributed the continuing weakness of the peso to the activities of speculators in a very thin market.

He said he hoped speculative attacks against the Mexican currency would end when a new economic programme was announced, perhaps later this week.

Yet US economists are arguing that there is another cause – monetary policy, which is weaker than Mexico's high nominal interest rates suggest.

"There is a strong monetary reason for the peso's weakness," said Paulo Leme, senior economist at Goldman Sachs in New York. Another US economist said: "Our view is that while monetary policy looks tight, it probably isn't."

Central bank numbers released this week show on the face of it a sharp drop in net domestic credit – the most closely watched monetary yardstick. Yet Mr Leme and others argue that this apparent contraction in credit is a mirage achieved through the inclusion of the IMF funds in the international reserves. (Net domestic credit is defined as the monetary base minus net international reserves, therefore if reserves are exaggerated by the inclusion of the IMF funds, net domestic credit expansion is underestimated).

In reality, he said, net domestic credit expanded quite rapidly. The expansion had come about through the purchase of *tesobonos* from domestic holders – mostly banks – and the extension of further credit to a banking system which was under severe strain.

While this credit expansion is unlikely to feed through into broad money supply – since deposits in the banking system are probably falling – it is clear some of the excess pesos created are leaking through the foreign exchange market into dollars and continuing to put pressure on the exchange rate.

Meanwhile, the weakness of the exchange rate means that the inflation and other targets negotiated as part of the IMF and US Treasury packages will at the least have to be renegotiated to take account of the changing circumstances. This will not necessarily threaten the IMF programme, in which a further $10bn is available in July, since renegotiations of this kind are common.

But the debate in Washington – which has promised $20bn in loan guarantees and other financing – about the Mexican package has become so politicised that at the very least a renegotiation over terms will give the administration more trouble with Congress.

"If the Mexicans were wise, they'd draw this money down as quickly as possible," said one US banker.

Yet the widespread perception is that the Mexican government is not sufficiently unified to do this. There are perceived disagreements over policy within the central bank and between the central bank and the finance ministry. Furthermore, the government cannot seem to push through over heads of business and trade union leaders a new economic package.

Mr Valenzuela, however, said the programme should provide a boost to confidence. It would go "far beyond our commitments to the IMF and the US government", Mr Valenzuela said. The Mexican authorities were in "permanent consultation" with the US Treasury, he said, and the funds from the US were not at risk.

Additional reporting by Leslie Crawford in Mexico City

Cavallo admits possibility of 'mild recession'

By David Pilling in Buenos Aires

Argentina could suffer from a "mild recession" this year, Mr Domingo Cavallo, the economy minister, admitted for the first time yesterday.

Mr Cavallo said he did not believe growth would be much lower than the 4.5 per cent officially estimated, but admitted that this could be revised sharply downwards if the international situation did not improve.

"Definitely the Argentine economy will grow less in 1995 [than the 6.5 per cent recorded last year] but I am convinced that we will avoid recession, or at least a very powerful one," he said. A "mild recession", however, could not be ruled out.

Many private economists, concerned at the likely impact of Mexico's economic crisis on capital inflows to Argentina, are now predicting growth rates of 0 to 3 per cent.

However, Mr Cavallo said that one very positive sign – partly provoked by economic slowdown – was the "drastic reduction" of Argentina's trade deficit in the first two months of 1995. According to preliminary customs estimates, exports rose 38 per cent year-on-year to $1.34bn (£827m), while imports were virtually unchanged at $1.5bn.

This was proof that Argentina's currency board system, known locally as Convertibility, was responding rapidly to events, Mr Cavallo said. As portfolio capital fled Argentina after the Mexican débâcle, "the level of external reserves reduced immediately, producing a contraction of internal credit. This automatically led to an adjustment in the external account without the need for a Mexican-style devaluation."

Mr Cavallo put a brave face on Monday's announcement by Brazil that it would gradually devalue the Real. This would not adversely affect Argentina's fast-growing exports to that country, he said. Exporters had already discounted a devaluation and were making their calculations on the basis of a Real fixed at around parity with the dollar.

The fact that this was now official "should contribute to a greater transparency in inter-regional [Mercosur] trade," he said. "We believe that stability and growth will continue in Brazil."

Mr Cavallo admitted that Argentina had extremely limited access to credit and did not rule out going back to the International Monetary Fund for up to $2bn in fresh funds. Last week, the IMF agreed to disburse $420m in previously agreed extended fund facilities.

See Feature

Brazil's reluctant balancing act

Angus Foster on the aims behind the Real's devaluation

Brazil's President Fernando Henrique Cardoso, who rarely loses his good humour, made a surprisingly vitriolic attack last week on international speculators. By Monday morning it was clear why. His government had decided the financial crisis which has engulfed Mexico and tarnished Argentina was getting uncomfortably close to Brazil.

The package of measures announced includes a two-step devaluation and further moves to balance this year's government budget. Although they were widely welcomed by exporters and economists, the changes may add to price pressures in a country which has not yet broken the inflationary habit.

The most important change involves switching to a formal system of "floating bands" within which the Real will be allowed to trade. The limits for the bands, which the central bank will defend through intervention, were set to allow a small devaluation of about 3 per cent on Monday and a potentially larger fall on May 2 when a wider band will come into force.

According to central bank indications, the exchange rate will then be closer to 93 centavos to the dollar, compared to yesterday's 88 and last week's 84.

The devaluation was forced on the government because the Real, the new currency launched last year as part of an anti-inflation plan, has appreciated more than 15 per cent in nominal terms against the US dollar, mainly because of Brazil's very high interest rates of more than 40 per cent.

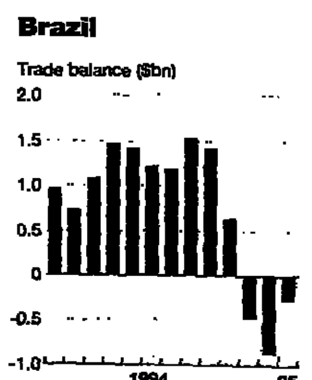
The appreciation helped lower inflation because cheaper imports became competitive with Brazilian goods. But imports grew so quickly, helped by last year's economic growth of 5.7 per cent, that in November Brazil recorded its first trade deficit for nearly eight years. Following Mexico's current account deficit problem, Brazilian officials were increasingly asked how the country would finance its small but growing current account deficit if the trade position continued to worsen.

Changing exchange rate policy has been under discussion for about six weeks, according to an official. "As Mexico got more serious and Argentina's problems developed, we wanted to send a signal that the current account deficit would not be ignored and to make explicit what our future policy would be, and that it would be gradual," the official said.

The central bank did not say how the bands would be moved in future, although most analysts believe further devaluations will partly reflect Brazilian inflation measured against the dollar.

The exchange rate "anchor" against inflation which the Real has provided will therefore be less secure. As a result, the government announced a series of other measures to increase its fiscal credibility.

The government is to study selling its 51 per cent stake in Companhia Vale do Rio Doce, the world's largest iron ore exporter. The sale, if approved, would take about two years to complete. In the meantime, the government hopes to increase privatisation revenues by selling state-owned banks and even allowing foreign controlling shareholdings.



Further austerity measures are being planned to balance a forecast $10bn budget deficit, equal to about 2 per cent of gross domestic product. As well as spending cuts, all public sector contracts in progress will be renegotiated.

These stop-gap measures should balance this year's budget, although some measures such as delaying each month's pay day for public servants, will simply shift spending into the next budget. Most analysts agree that Brazil's budget problems cannot be solved without thorough fiscal and social security reforms, which the government hopes to present to Congress soon.

A more urgent concern is inflation, which last month fell below 1 per cent – compared to 50 per cent in the month before the Real was launched. Brazil's economy is relatively closed, with total trade accounting for only about 13 per cent of GDP, so rising import prices following the devaluations may be containable. Petrobrás, the government-controlled oil monopoly, will be pressured not to pass on higher imported oil prices to consumers.

Prices are expected to start rising in the next months anyway, partly for seasonal reasons, and companies are sure to try and use the devaluation as an excuse to improve margins. Private sector forecasts point to monthly inflation of 2 to 2.5 per cent for April.

This acceleration in inflation comes as parts of the economy are already close to overheating. Poorer families, benefitting from higher purchasing power following the fall in inflation, have gone on a rampage buying household products and goods that were once beyond their reach.

A further concern is a government inflation index called the IPC-r, used as the benchmark for annual salary increases. The index has increased more than 20 per cent since the Real was launched.

The IPC-r is due to be phased out later this year, but Congress will push hard for a replacement if monthly inflation starts creeping up again. With the combination of devaluation, overheating and real wage rises, the government and the private sector will be watching Brazil's myriad of inflation indices for the next couple of months before pronouncing Monday's measures an unbridled success.

NEWS: WORLD TRADE

Leap in investment flow to developing nations

By Frances Williams in Geneva

Foreign direct investment in developing nations is growing by leaps and bounds, according to a United Nations study. It reached a record $80bn last year or nearly 40 per cent of total overseas investment flows of an estimated $204bn.

The UN Conference on Trade and Development says outflows of foreign direct investment rose by 5 per cent in 1993 and another 6 per cent in 1994, bringing the global recession in such investment to an end. However, investment flows to developing countries, which brushed aside the recession, jumped by 36 per cent in 1993 and 13 per cent last year.

The study notes that 80 per cent of all foreign direct investment going to the Third World is directed to just 10 countries, almost all in Asia and Latin America. China alone accounted for half this amount in 1993 when with $27.5bn it was the world's single largest recipient. Even without China, investment flows to developing nations rose by 6 per cent in 1993 and 15 per cent in 1994.

Unctad attributes the shifting pattern of foreign direct investment to strong growth in the recipient countries, liberalisation of investment rules, privatisation and the continuing search by multinational corporations for new markets and "cost-efficient" production.

In terms of stocks of overseas investments, developing countries now account for about a quarter of the estimated $2,121bn total in 1993. According to Unctad's transnationals division, this represents 207,000 foreign affiliates worldwide controlled by at least 38,000 parent companies.

The study notes that sales of foreign affiliates now far surpass cross-border exports of goods and services, for the US by a factor of 2.5 to 1. In addition, transactions between different affiliates of transnational companies account for roughly one-third of all cross-border trade, Unctad says.

If sales associated with licensing to unaffiliated firms are added in, "only about one-third of international transactions are not associated with transnational companies activity". This means most transactions no longer take place between "independent agents governed by market forces but rather involve related agents".

Unctad says policy-makers need to be concerned with all the ways in which transnationals gain access to markets and not just trade, an observation which chimes with growing pressure for the World Trade Organisation to begin negotiations on such issues as global investment and competition rules.

**Trends in foreign direct investment (TD/B/ITNC/2), free from Unctad, Palais des Nations, 1211 Geneva 10.*

US rose growers fail to prove dumping claim

The US International Trade Commission has scotched a bid for protection by US rose growers by determining that imports from Colombia and Ecuador were not injuring the US industry.

This was the latest in a series of cases filed by US flower producers who have been unable to compete against cheaper imports from Latin America.

Mr Alan Dunn, a lawyer for some of the Colombian and Ecuadorean producers, said this has strained relations with the US. "This (ruling) should help quite a bit," he said.

The loser was the Floral Trade Council, representing about 250 companies, primarily in California, Colorado and New York.

US sales of roses were valued at $290m in 1993. Imports captured about 55 per cent of the market in volume terms but only 44 per cent in value terms.

Companies in Ecuador and Colombia have invested heavily in setting up efficient mass production and shipping systems. Colombia captured about 40 per cent of the market by quantity and 32 per cent by value, Ecuadorean companies about 7 per cent by quantity and 5 per cent by value.

The ITC ruling came after the US Commerce Department had already found the existence of dumping (selling at artificially low prices) by most of the producers.

Dumping margins, established to determine the level of compensatory anti-dumping duties, ranged from 0 to 36.04 per cent by Colombian producers and 4.63 to 81.72 on Ecuadorean producers.

The US Commerce Department has been the focus of criticism by trade experts for its methods in determining dumping. Its highest dumping margins generally are attributed to companies which do not defend themselves.

In many cases, this occurs because they find the legal fees too expensive. Instead, many choose to raise their prices to the levels of US producers. In about half the cases filed, the ITC, an independent agency, finds that the supposed dumping does not injure the US industry. Without a finding of injury, anti-dumping duties are not imposed.

Thus far, for cases filed in fiscal 1994 and completed, the ITC has ruled against the US producers 16 out of 28 times. In fiscal 1993, US companies won in 13 cases and lost in eight.

In fiscal 1992, when dozens of steel cases were filed against foreign producers, the ITC found injury in 62 out of 128 cases.

ITC commissioners do not release the reasons for their findings until at least one week after the vote.

Republican cost-cutters target agency promoting US exports

Nancy Dunne on the threatened Trade and Development Agency

The US Trade and Development Agency would seem well suited to the era of budget frugality in Washington. Its bureaucracy numbers 38. Its $45m budget is only lavish when compared with that of the American Battle Monuments Commission ($20m) or the Institute of American Indian and Alaska Native Culture and Arts Development ($11m).

But a House appropriation sub-committee last week passed legislation to slash the agency's 1995 budget by 10 per cent. So far, it has left untouched the $20m budgeted for projects in the former Soviet Union but the new Republican Congress, hungry for cuts, will be back for more.

With the resources of the US and Russia both depleted by ruinous cold war spending, this tiny agency often takes the lead in US efforts to help its former enemies adjust to capitalism. It has commercial objectives as well. By funding feasibility studies, conferences, technical assistance and trade missions, it aims to get US companies involved in the early stages of major infrastructure and industrial projects in developing and middle-income countries.

Last week the TDA announced eight small grants totalling $4m for feasibility studies in the countries of the of the Commonwealth of Independent States, bringing to $42m the total spent since 1992 for a range of sectors including oil and gas, aviation, electric power, housing, information management and manufacturing.

It also announced a $1.3m grant for a study on the restructuring of Zil, the Russian truck and limousine manufacturer, which has laid off thousands of workers and only recently resumed some operations. The TDA will pay for an assessment of Zil's books and the development of a long-term plan, including the divestment of unprofitable operations such as refrigerators.

> 'It would be foolish to cut programmes that cost little and benefit US industry'

As usual with TDA grants, the US companies involved also put money on the table. Caterpillar of Peoria, Illinois, and PACCAR of Seattle, Washington, are putting up $500,000 for the Zil study. The two companies and Zil have formed a joint venture called Novotruck to produce trucks with Caterpillar engines and PACCAR components, but these investments are at risk because of the chaos at Zil.

Programmes like these are anathema to many conservative newcomers in the House who are suspicious of "corporate welfare" programmes, and are not known for an abiding interest in foreign policy.

But at some point questions will be raised in Congress over whether the agency gets value for its dollars. Since it was established in 1980, TDA officials say it has helped win $6bn in export sales – more than 25 times the funds spent.

A 1993 report from the General Accounting Office of Congress questioned the claim. "Most TDA-supported major development projects have not yet produced US exports, and others have produced fewer US exports than TDA's original assessment of export potential," it said.

However the report also listed a number of successes. A $115,000 grant to a US company to conduct a joint feasibility study with an Indian company resulted in a $10m export sale. A $21,000 grant for Togolese officials to visit US telecommunications companies to learn about new technologies led to the sale of $600,000 in US telecoms equipment.

TDA officials say feasibility studies, performed by US companies, can mean US standards are adopted in sectors such as telecommunications, a vital first step in many foreign sales. For example, the agency has funded five studies on telecoms privatisation in the Czech Republic and in Hungary in the hope of giving US telecommunications companies a leg up in the region.

An assessment of TDA's worth as an instrument of foreign policy is more difficult. With the foreign aid budget shrinking, the Administration uses TDA to signal US presence in a region and the promise of private investment. In the Middle East for example, it is pushing for technical and financial development of the Jordan Valley. With the World Bank it is funding a consultancy contract for the region.

In the CIS, the agency last year funded 41 feasibility studies. Most involved potential joint ventures, like the Ilyushin IL-96m aircraft for which Pratt & Whitney plans to supply engines and Rockwell International the avionics for Russian-built airframes.

It will be years before the TDA can assess the returns on its investments. Meanwhile, critics will argue that it is a dollar give-away venture which can no longer be afforded.

If the agency is to be saved, it will be up to Republicans' traditional allies in business to do so. "All government programmes are under scrutiny," said Mr Judge Morris of the National Association of Manufacturers. "We want to get the message across that it would be foolish indeed to undercut programmes that cost relatively little and offer tremendous benefits to US industry in international competition."

WORLD TRADE NEWS DIGEST

China expects air travel boom

China expects its passenger aircraft fleet to grow almost fivefold in the next 20 years. The China Aviation Industrial Corporation (AVIC), the country's aircraft purchasing agency, forecast this week that the number of passenger aircraft will grow from 400 to 659 by the end of the century. Growth would accelerate between 2004-2013 with 1,697 new aircraft needed in those years. "Considering the speed of development of the national economy, AVIC forecast that China's civil aviation will enjoy an annual average increase of 12.3 per cent in passenger load," the official Xinhua newsagency reported.

The AVIC forecast is in line with the more optimistic predictions of western institutions. Chase Manhattan Bank expects China to spend $100bn on new aircraft over the next 20 years. Boeing was more conservative, predicting sales of 800-1000 aircraft at a cost of $40bn. Chase's forecast was based on 20 per cent a year passenger growth until 1998, dropping to 15 per cent a year to 2004, and then to 10 per cent a year.

AVIC also expects the number of airports to rise to 160 by 2010 compared with 104 today. Only 14 at present handle international flights.

Beijing announced recently it would purchase 22 airliners this year. China's airlines took delivery of 50 planes last year – or about 25 per cent of its passenger fleet. International airlines are engaged in a scramble for a share of the lucrative China market. In 1993, Boeing delivered 46 planes – 14 per cent of its total production. Airbus is striving to make its presence felt. It has sold 35 wide-bodied aicraft to China since 1985, and the European consortium says it aims to capture half of new sales compared with the one-third share it had secured in the past five years. *Tony Walker, Beijing*

India plans private toll roads

India is to allow the private sector to develop toll roads. The cabinet approved the move yesterday and a bill amending the National Highways Act will be presented to parliament this month. Investors will be invited to undertake Build, Operate and Transfer schemes for national highways, collecting toll fees for a stipulated number of years during a concession.

The decision has been delayed because of the government's reluctance to impose tolls. "India's needs are so vast, especially in the building of roads and expressways, that it would have been impossible to upgrade the current infrastructure in over 20 years without the use of private investment," the ministry of surface transport said. The ministry has identified projects worth $6bn, and has received over 50 inquiries from overseas construction companies. *Shiraz Sidhva, New Delhi*

■ The Burmese government has signed a contract with Texaco, Premier of Britain and Nippon Oil of Japan to expand gas exploration off the coast of Tenasserim. The consortium has already struck commercially feasible gas reserves in Burma's Yedagun field, in the Gulf of Martaban. Burmese energy minister Mr Khin Maung said negotiations were under way to sell gas from Yedagun to Thailand.

■ The Danish-Swedish Oresund Consortium said it received six tenders ranging from DKr1.4bn ($245m) to DKr2.9bn for dredging and land reclamation work for the road/rail bridge and tunnel link between Denmark and Sweden.

■ Philippine Airlines has decided to lease or buy two Boeing 747-400 aircraft, worth $150m each, to use on China routes.

■ The value of China's computer trade in 1994 reached $2.2bn, Xinhua News Agency reported. Imports amounted to $896m and exports $1.3bn.

HK finance secretary named

By Simon Holberton in Hong Kong

Hong Kong's new finance secretary is to be Mr Donald Tsang, 50, a career civil servant noted for his fiscal conservatism and political liberalism.

Mr Tsang, treasury secretary since 1993, will take up his post as the colony's first Chinese financial secretary in September after Sir Hamish Macleod, the incumbent, retires in August, the government said yesterday.

The most difficult task for Mr Tsang will be managing the Chinese government's participation in Hong Kong's budget-making process. The government has offered China the opportunity to observe the process this year ahead of full participation in 1996.

Sir Hamish, along with a number of other senior expatriate civil servants, was asked to retire early in the interest of "localising" the colony's civil service before its return to China in 1997. Mr Raphael Hui, transport commissioner, will succeed Mr Michael Cartland as secretary for financial services, the government said.

China was informed of the personnel changes on Monday.

For the sake of continuity, the British government hopes senior civil servants will be able to retain their posts in the first Chinese administration after 1997. British officials acknowledge it will be for Hong Kong's first chief executive, as the governor will be known after the handover, to choose his or her own team.

Mr Tsang is well known to officials in Beijing. He has been at the centre of Sino-British talks about Hong Kong's multi-billion-dollar airport project for the past three years. He plans to visit Beijing next month and may do so again before he assumes his new responsibilities in the autumn.

The son of a policeman, Mr Tsang joined the civil service in 1967 and was promoted into its elite administrative officer class in 1971.

Mr Tsang said yesterday he planned to stay in Hong Kong after 1997. He did not hold a foreign passport, he added.

Donald Tsang (left) yesterday with outgoing financial secretary Hamish Macleod *Reuter*

Pressure to let Taiwan's president visit US

By Laura Tyson in Taipei

The US Congress is stepping up pressure on the Clinton administration to permit Taiwan's President Lee Teng-hui to visit the US, a move likely to upset Beijing and put the White House in an awkward position.

On Monday, some 39 members of the House of Representatives and the Senate submitted a joint resolution demanding the administration allow Mr Lee to travel to Cornell University to receive an honorary degree. The non-binding resolution urges the government to allow Mr Lee to stop over in Alaska in September to address US and Taiwanese businessmen.

A similar resolution was passed by Congress last year. Given that the Republican party, historically better disposed toward Taiwan, wrested an electoral majority from the Democrats last autumn, support is likely to be as strong this year.

Mr Lee has been invited many times to the US by Congressmen, and by Cornell, in the past year, but the State Department refuses him a visa in deference to China. Mr Warren Christopher, secretary of state, has reiterated the administration's stance. Senator Frank Murkowski (Republican, Alaska), had invited Mr Lee to attend this year's meeting of the US-Taiwan Economic Council, to be held in his state.

Taiwan has impressed congressmen by its growing economic clout and political reforms over the past decade. All levels of government are now democratically elected except the presidency, which will be put to ballot for the first time in March 1996. Should he decide to run, Mr Lee is considered likely to win.

Relations between Taipei and Beijing have improved in recent years, following decades without contacts, but tensions remain. Taiwanese trade and investment in the mainland has blossomed since the late 1980s but arm's-length political contacts initiated nearly two years ago have been hampered by mistrust and unwillingness to compromise over minutiae.

Beijing refuses to rule out the use of force against the island should it veer toward formal independence, and through strong-arm tactics, in effect prevents Taipei playing an international political role.

On Monday, Taiwan's foreign minister Fredrick Chien, criticised China for its "hegemonic attitude" toward the island. He urged Beijing to "correct" its policy of "oppression" of Taiwan in the international arena or bear full responsibility for damage to China's development.

Mr Chien's remarks were in response to those made by China's premier Li Peng, calling for high-level cross-strait talks on reunification. Mr Li warned Taiwan Beijing would never tolerate efforts to bring about the island's independence.

AFP adds: American President Lines was fined T$3m (£71,600) for sailing between Taiwan and China in breach of a ban, a Taipei official said yesterday. An administrative court ruled that any route covering ports on both sides of the Taiwan Strait broke Taiwanese law. Two company vessels, which left the port of Kaohsiung in 1993, called at Huangpu and Chewan on the mainland.

Under Taiwanese law, passenger ships and vessels offering liner services must not sail between the rival states. Bulk carriers are allowed to deliver merchandise across the strait provided they call on a third port mid-journey.

To improve ties with Beijing, Taiwan plans to permit freighters registered in third countries to sail between China and a designated zone in Kaohsiung port for trans-shipment.

China exhorts provinces to curb pollution

China has launched a nationwide drive to promote environmental awareness, in a perhaps belated recognition that previous efforts have made little impact.

The campaign is being sponsored by the National Environmental Protection Agency (Nepa), the government's pollution watchdog, as well as an environmental protection committee of the National People's Congress, the parliament, which is currently in session, and ministries which oversee agriculture, forestry, water resources, and land use.

"It is an attempt to get the message down to the provincial level," said a western economist in Beijing. "The difficulty has alway been translating the message to the provincial authorities."

In a country where the world's fastest economic growth rate has created or exacerbated a host of environmental problems, the need for a campaign is evident.

"The size of our population, the scarcity of our resources, and the strains on our environment are the most basic and critical contradictions we face," said Mr Lu Yazhou, an official from the Chinese Academy of Sciences.

"And they will only continue to worsen."

According to the official China Daily, Beijing, Shenyang, Xian, Shanghai and Guangzhou are among the 10 most polluted cities in the world, and acid rain has spread to more than 29 per cent of China, with the south and south-west worst hit.

In some north-eastern Chinese cities such as Shenyang, heavy metals have polluted drinking and crop irrigation water and led to a surge in birth defects. In Shenyang, pollution takes such a punishing toll that life expectancy is 10 years less than the national average of 70.

A central problem is coal. As the world's largest producer, China has resources of over 900bn tonnes. It consumes 1bn tonnes annually, with demand projected to treble by 2020. "As long as coal is plentiful and cheap, this subsidises pollution," said a western economist in Beijing. "An enterprise manager can burn coal inefficiently because this hasn't been a cost of production."

The state has historically subsidised coal at well below the international market price. But in 1993, the government gradually raised coal prices by about 30 per cent, although they are still well below international levels. With limited sources of alternative energy, China will be forced to rely primarily on coal for the foreseeable future.

According to Chinese government officials, economic growth is also shrinking the country's farmland, while China's explosive population growth, which has already surged past family planning targets of 1.2bn by the end of the century, is putting additional strain on scarce resources such as water.

Factories have been slow to adapt to new, cleaner technologies, leading to serious contamination of most rivers in China. Penalties for polluters are still too low to produce any change, tending to focus on "end-of-pipe" solutions rather than preventive measures.

The environment is paying for the country's economic growth, writes Lynne Curry

Conservation is also not a high priority. The government has raised the price of water, but not enough. As a consequence, industry uses it wastefully.

The government is making an effort to tackle these problems, studying how to build larger, more efficient coal boilers and recently issuing a series of regulations to prevent a further loss of farmland.

To cope with the water shortage in the capital, Beijing plans to build an immense aqueduct to carry 15bn tonnes of water a year. It will cross 17 cities, serving them all, and 219 rivers and streams.

Nepa tries to enforce environmental regulations, but fights a losing battle against local officials. "Nepa can veto certain projects if they are environmentally unsound," a western economist explained. "However, local officials frequently turn a blind eye to the cost of pollution if the social benefits from a revenue stream of an investment project are higher."

Western environmentalists believe there is also a political element to China's environmental problems. The government's survival is predicated on the country's continuing rapid economic development to keep popular discontent at bay, said one.

China lacks a mass "green" movement, but the government is beginning to learn from east European experiences, according to a western environmental expert.

"There have been cases where the impact of pollution has been a catalyst for social and political unrest in Czechoslovakia and Romania," he said.

"Chinese officials have seen that and are drawing lessons from eastern Europe. One of the nightmares of officials in Liaoning and Jilin [provinces in China's heavily polluted north-east] is the emergence of a Greenpeace mass action movement in response to an environmental disaster."

ASIA-PACIFIC NEWS DIGEST

Bikini atoll may be nuclear store

The exiled populace of Bikini island, the world's most famous atomic test site, yesterday passed a resolution directing their Washington attorney to gather information on nuclear waste storage. The US carried out 23 nuclear blasts on Bikini in the 1950s which contaminated the atoll.

The island council wants to explore the idea of using "Nam Island or other islands in Bikini Atoll for the storage of nuclear wastes in order to utilise otherwise unusable land space and obtain economic benefits and to protect the world environment". The government of the Marshall Islands, of which Bikini forms part, announced last year its plan to pursue a nuclear waste facility. It is courting Asian nations and the US to establish a disposal site, although Washington and Tokyo have so far refused to participate.

Since 1948 Bikini islanders have lived on Kili, an island 400 miles south of Bikini. The US Congress approved a $90m trust fund in the 1980s to clean up and resettle Nam. However council leaders now say this is only a fraction of the money needed, and it will cost at least a further $300m to complete the task. *AFP, Majuro*

China orders celebration bell

China is to build a 99 tonne bronze bell, the world's largest, in Hong Kong to ring in the 1997 takeover of the British territory. A letter of intent for the 18 metre- high bell was signed recently in the eastern Chinese city of Nanjing, the Beijing-funded Wen Wei Po daily said. It did not identify the partners in the project or the cost. The bell will be completed by the end of 1996 and will be tolled on July 1, 1997. Known as Huaxia Dazhong, it will be set up opposite the big Buddha statue at Po Lin monastery on Lantau island. The weight symbolises the 99-year lease of the New Territories to Britain. *AFP, Hong Kong*

■ Taiwan's trade surplus in February rose 320.5 per cent to US$826.7m (£504m) from the same month in 1994, the finance ministry said. But the jump was attributed mainly to the Lunar New Year holidays falling in February 1994 but in January this year. *Reuter, Taipei*

■ New Zealand's producer price input index rose a modest 0.1 per cent in the December quarter while the output index was up 0.5 per cent. *Reuter, Wellington*

Gas chief says he did not mean to mislead MPs

By John Kampfner and Robert Corzine

Mr Cedric Brown, the chief executive of British Gas who has come under attack for the size of his pay packet, yesterday gave MPs a partial apology for failing to disclose full details of his renumeration before a parliamentary committee.

Appearing before the House of Commons employment committee for the second time in six weeks, Mr Brown conceded that he had not previously mentioned new share options or a long-term incentive scheme which under some circumstances could raise his pay by up to 125 per cent.

Mr Brown said: "I would like to make it absolutely clear that there was never any intention in terms of information submitted or the discussions we had at the last hearing to mislead this committee."

Since Mr Brown's first appearance, public anger at top salaries has grown rapidly. After decrying what he called Labour's "politics of envy", Mr John Major last week described some awards in recently-privatised utilities as "distasteful".

In a further indication of government embarrassment, Sir George Young, financial secretary to the Treasury, confirmed that the government was backing down on plans to grant tax breaks on share options to non-executive directors. Sir George said that, after representations from City of London, institutional investors, the government was proposing to introduce amendments to the Finance Bill excluding part-time directors from employee financial participation schemes.

Earlier, Mr Major told MPs during Commons questions that only Labour wanted a pay policy for top executives. The government intended to deal with "abuses" where they occur.

At the committee, Mr Brown and his chairman, Mr Richard Giordano, were rarely put under serious pressure. They said neither they, nor fellow directors, nor non-executives were being rewarded too highly.

Mr Greville Janner, the committee chairman, complained that Mr Brown had failed to disclose 268,211 share options awarded in October last year and his new long-term incentive package. Mr Giordano said the current row over executive pay was deflecting management from running the business. "We are spending enormous amounts of energy fighting the confusion," he said.

Asked whether British Gas has learned any lessons from the pay row, Mr Giordano said it was that "transparency is essential. If we make (executive pay) changes in mid-year, then we'll just go public then."

Mr Giordano agreed a problem had existed over disclosure to share holders of remuneration packages.

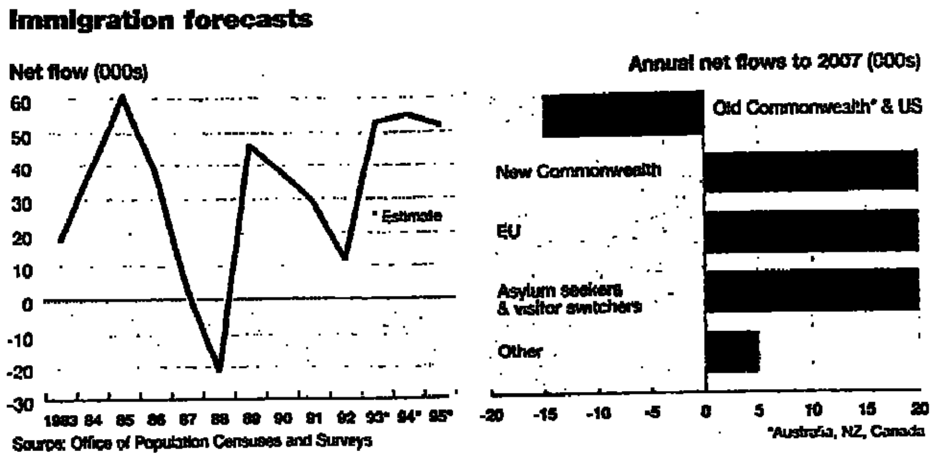
Spot prices for natural gas at the main coastal terminals have fallen sharply in recent weeks, triggering even more intense competition in the liberalised markets for large commercial and industrial users, Robert Corzine writes. Spot prices at the beach terminals have fallen from more than 19p per therm at the beginning of the year to a current level of less than 15p for gas delivered in March and April.

A report this week from Cambridge Energy Research Associates said: "Never before in the history of the European gas industry has a key indicator of prices moved by 25 per cent ... independent of movement of other energy prices."

Business Gas, the British Gas unit which supplies large industrial and commercial users, said the steep falls could not be described as a "collapse". But it agreed with Cera that falling prices reflected a large surplus of gas due in part to a mild winter and the impact of competition.

Flood of immigrants may be a mirage

Simon Kuper explains why a forecast from the government has provoked argument



Source: Office of Population Censuses and Surveys

A vision of a UK swamped by immigrants was revived by a Department of the Environment report on Monday. It forecast a net inflow of 50,000 people a year for the next two decades, whereas a 1991 report had predicted no net immigration.

This suggested that Mr Charles Wardle, who resigned as junior trade minister over the issue in February, was right to warn that the European Union might force the UK to relax its border controls.

He said this could lead to a flood of migrants, as people slipped into the EU elsewhere and then made for the UK. But Mr Wardle got the origins of the migrants wrong. Those expected by the report will come largely from two groups: EU citizens, and people who come to the UK saying they will stay only briefly and then either register for asylum, marry, or start studies.

Students have been coming for years but past estimates of migration overlooked them because they do not define themselves as migrants on arrival. Now the UK is adding them to migration figures, and revising upwards estimates of past inflows.

As to European immigrants, the environment department's 1991 study forecast an annual inflow from the EU of 5,000. The new report forecasts a net inflow of 20,000 EU citizens, against a net outflow of just 5,000. But in past years, net EU inflow has hardly ever topped 10,000. The EU immigrants divide into two groups. The first, according to Professor John Salt, a geographer at University College London, consists of people in their late teens or early 20s. Most immigrants to the UK, from inside the EU or outside, are in this age range.

The second group, according to Dr Robert Miles, a sociologist at Glasgow University, "are professional, technical and managerial migrants". He added: "This doesn't fit the image of the migrant as poor black man."

The 5,000 net migrants from Canada, Australia, New Zealand and the US, also unforeseen in 1991, are also mostly skilled people coming to work in London. The capital is expected to absorb more than two-thirds of the UK's projected immigrants.

However, the projections, compiled by the Government Actuary's Department, might be slightly wrong. Mr Claude Moraes, director of the Joint Council for the Welfare of Immigrants, a pressure group, said that judging by previous figures the latest estimates were "cloud cuckoo-land".

The government's 1991 forecast was an inflow of 51,000 people in 1993. But for the year to June 1993, the last period for which figures are available, there was an outflow of 11,000 people.

This was the first net outflow from the UK in four years, though only in 1985 did the net inflow exceed 50,000. The 1993 outflow was due partly to the UK's recession, but also to the adoption of a tougher approach to immigration.

For the last decade, the number of immigration officers has steadily risen. They do not stop only illegal immigrants. The Immigration Service Union, which represents most immigration officers, said there were now tighter controls on people trying to enter through legal channels.

Tougher checks and the unreliability of figures may mean that the projected flood of migrants – few of them the "benefits tourists" or low-skilled workers of Mr Wardle's vision – could never materialise.

Minister urges US to set tough terms for Adams visa

By Jurek Martin in Washington

The British government yesterday urged the Clinton administration to set tough terms if it grants another visa to Mr Gerry Adams, president of Northern Ireland's nationalist Sinn Féin party.

Britain hopes the US will not grant another visa unless Mr Adams promises not to engage in fundraising in America and undertakes to agree to the decommissioning of arms held by the Irish Republican Army. Sinn Féin is the political wing of the IRA.

Speaking after morning talks in Congress and with Mr Warren Christopher, secretary of state, Sir Patrick Mayhew, chief UK minister for Northern Ireland, said he had received no concrete assurances from the US on the visa question.

Mr Adams hopes to visit the US around the time of the St Patrick's Day celebrations on March 17.

But Sir Patrick said Mr Christopher had described the decommissioning of arms held by the IRA and rival Protestant paramilitary organisations as "an essential step" in the peace process. He also praised the US administration's role over the past year. He was due later to meet Vice President Al Gore and Mr Anthony Lake, national security adviser.

Sir Patrick said it was not absolutely necessary for the IRA to agree to hand over all its arms immediately.

"All we mind," he said, " is that arms are no longer generally available." UK authorities, he went on, knew "quite a lot" about the disposition of IRA arms caches, mostly, but not entirely, south of the border with Northern Ireland.

He did not explicitly rule out a US role in supervising the turning over of weapons but said that no such "practicalities" had been discussed here. Other UK officials said United Nations participation was unlikely but they did not exclude seeking the help of Scandinavian nations. On Monday, Ulster Unionist MPs had called for the creation of an independent organisation to supervise the decommissioning of arms.

Sir Patrick told reporters that Sinn Féin had a limited political mandate and was "inextricably associated" with the IRA which – the recent and encouraging ceasefire notwithstanding – remained a potent threat to peace. This was why, he hoped, Mr Adams would not be permitted to engage in fundraising "in such fertile territory" as the US.

Minister hails calf campaign success

By James Harding

Britain's agriculture ministry yesterday signalled its first small victory in the campaign to ban the rearing of veal calves in crates across Europe.

Junior minister Mrs Angela Browning said she was confident about progress towards a new directive on calf production. She said: "Sympathy for an EU-wide ban on veal crates has consolidated ... UK lobbying is starting to bear fruit."

As a result of the speeding up of the process, agriculture ministry officials expect to see a resolution of the issue by the end of the century. Mrs Browning said she had secured assurances from Spain and Italy, the next countries to take the presidency of the council, that unlike the French incumbents they would make sure the issue was at the top of the agricultural agenda.

Mrs Browning said France and Italy, which were large consumers of the white veal produced from calves confined in small crates and fed on a restricted diet, saw little reason to change the system.

The Dutch government would take action only on a Europe-wide basis and the UK government had not discussed the issue with Greece, she added. How Spain and Portugal would vote was also unclear. A combination of these countries would easily be enough to block a vote in the council.

In order to win "the critical support of southern European states", the UK government is promoting the idea of compensation payments for European farmers who replace their crates with group housing units which allow calves greater movement.

Labour promises to halt sale of prisons

By Andrew Adonis, Public Policy Editor

The opposition Labour party pledged yesterday to halt the prison privatisation programme, but said it would honour existing private prison contracts.

Mr Jack Straw, Labour's home affairs spokesman, told a conference in London that prison privatisation was "morally repugnant". He added: "It is not appropriate for people to profit out of incarceration; this is surely one area where a free market certainly does not exist."

Given uncertainty over Labour's readiness to take the railways back into public ownership, prisons may be one of Labour's few commitments to nationalisation at the next election.

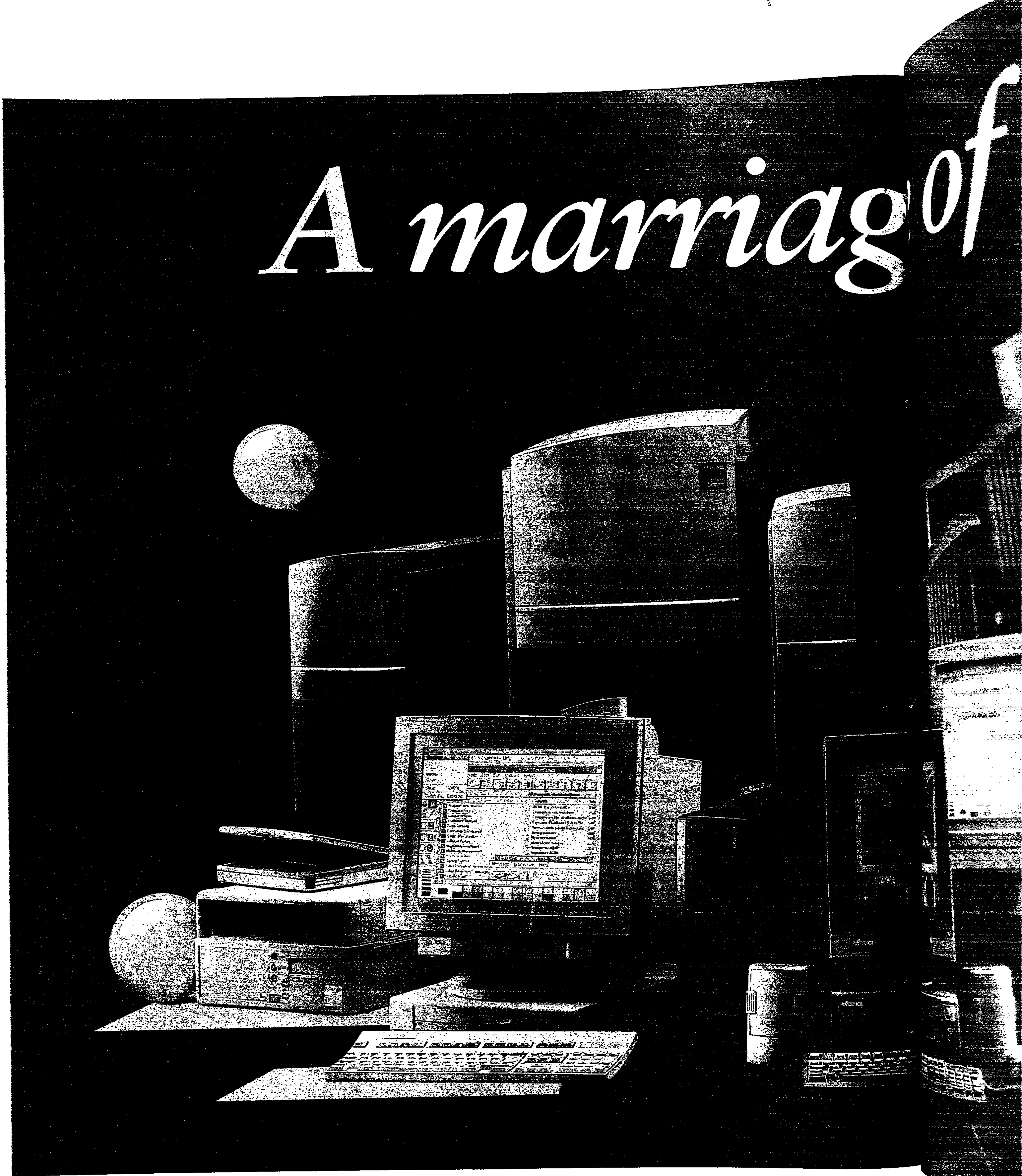
But a Labour official said the party was "well aware" of the cost implications of breaking existing contracts, and would not do so.

Four private prison contracts have been let, with two more due to be signed this summer. There are 135 prisons nationwide, housing nearly 50,000 prisoners.

Mr Nicholas Hopkins, a director of UKDS, one of the three existing private operators, said: "we hope in the next two years to prove conclusively to the Labour party that private prisons are something they can't do without."

He pointed to experience in Queensland, Australia, where in the late 1980s an incoming Labor state government continued with a prison privatisation programme it had opposed in opposition. UKDS is a joint venture between Corrections Corporation of America, which operates prisons in southern states of the US, and John Mowlem and Sir Robert McAlpine, the UK construction companies.

However, in his speech Mr Straw made state management of prisons a matter of principle. "It must be the direct responsibility of the state to look after those whom the courts decide it is in society's interests to imprison," he said.



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Van and truck registrations up 26%

By John Griffiths

Registrations of commercial vehicles continued their strong upward surge last month, leaving the market for the first two months of this year 25.8 per cent higher than in the same period a year before.

Growth was strong across all sectors with the exception of light vans – those mainly derived from cars – where February's 2,482 registrations were only 13 per cent higher than in the same month a year before.

Registrations in February of panel vans, typified by the Ford Transit, were 40.1 per cent higher year-on-year at 3,567, the Society of Motor Manufacturers and Traders reported. Those of trucks weighing 3.5 tonnes and over were 51.7 per cent higher at 2,505.

Within this sector, the most spectacular growth this year has been in heavy trucks, vehicles over 15 tonnes. In the year to date registrations of these are running 70 per cent higher than in the opening two months of 1994.

Total commercial vehicle registrations, including buses and coaches, reached 20,896 last month, a 28.1 per cent rise over February last year.

However imports are taking a rising share of the total. In February they accounted for 44 per cent compared with 42.6 a year earlier. February saw Leyland Daf Trucks retain the truck market leadership it regained from the Iveco Ford group in January. Leyland Daf's market share in January and February this year was 20.8 per cent compared with 20 per cent for the Iveco group. In the first two months of last year Leyland Daf had a 16.6 per cent share as it continued its recovery from the 1993 collapse of its former parent, the Dutch Daf Trucks concern.

LDV, the van maker which was another survivor of the Daf collapse, now also under management and institutional ownership, has seen its registrations rise 29.8 per cent so far this year.

Mr Leslie Woodcock, the former Daewoo Cars managing director who left the company abruptly in January, has issued writs claiming unfair dismissal, John Griffiths writes. He left less than three months before the Korean-built cars were due to go on sale in the UK. The writs, issued in the High Court on Friday, claim £644,322 ($1.06m) for alleged breach of contract and unfair dismissal.

They were expected to be served later this week on Daewoo Cars, the wholly-owned UK import subsidiary of Daewoo Corporation, and on the parent corporation in Seoul. Mr Woodcock, 43, joined Daewoo in May last year after a 15-year career with Heron Corporation, where his final job was as managing director of Suzuki GB Cars, the Japanese vehicle importer.

The UK launch of Daewoo's Nexia and Espero cars through a network of Daewoo-owned retail outlets has been postponed from this month to next.

Export rise predicted to be fastest for 20 years

Exports of British goods and services are likely to rise by more than 10 per cent this year – their highest rate for more than 20 years – the Oxford Economic Forecasting group said yesterday, our Economics Staff writes.

The forecast says that rising world demand will be mainly responsible for this upturn.

The group also notes that weakness in sterling could boost exports, not least because the impact of the 1992 sterling devaluation helped exporters' profit margins.

Mr Adrian Cooper, an economist at Oxford Economic Forecasting, said: "In effective trade-weighted terms, sterling has not actually fallen that far recently – but obviously if it stays down at these levels against the D-Mark it ought to give exports a little extra boost."

With investment also predicted to rise this year, mechanical engineering is expected to be the fastest-growing industrial sector.

The service and consumer sectors, however, are expected to see far weaker growth. Output of the consumer goods sector is expected to rise by an average of only 3 per cent over the next three years.

Sterling jitters shake the quiet life

Philip Gawith on unruffled official reactions to the slide

Life was quieter when Mr Kenneth Clarke, the UK chancellor of the exchequer, and Mr Eddie George, governor of the Bank of England, held their last monthly monetary meeting on February 2.

Barings was but a respected City name and sterling was trading comfortably at DM2.40 and $1.58.

When they meet today the collapse and subsequent rescue of Barings will be strictly for discussion over the tea and biscuits. Sterling, however, is likely to command a place on the agenda.

Mr George said yesterday in Frankfurt that the Bank would have to watch sterling's movement "to see how deep-seated it is or whether it is just erratic".

Sterling finished in London at DM2.2604 and $1.6242 after earlier touching an all-time low of DM2.2576. This followed a spectacular four pfennig fall to DM2.27 from DM2.31 on Monday evening, mostly after UK markets closed.

Although slightly firmer against the dollar, the fourteen pfennig fall against the D-Mark since the last meeting provides an unhappy backdrop to discussion. On a trade-weighted basis, sterling has lost around 2.2 per cent.

As the Bank has made clear, it is the trade-weighted value of sterling it watches rather than bilateral rates, which reflect the other currency's performance as much as that of sterling.

A 2.2 per cent fall in little over a month is unlikely to precipitate any direct monetary response. The UK no longer has an explicit exchange rate target, so sterling only becomes a concern when its level pushes up inflation. Although sterling's weakness has certainly had the effect of loosening UK monetary policy, few observers believe this has been sufficient, in itself, to prompt a tightening of monetary policy.

If Mr Clarke and Mr George conclude that sterling's weakness is more a reflection of generalised D-Mark strength, than a particular comment on sterling, they will enjoy the support of most analysts.

As the graph alongside makes clear, sterling has not suffered alone. Indeed, compared with many other currencies, sterling's recent performance against the D-Mark has been unexceptional.

In common with most other currencies that are weak, sterling has suffered from political uncertainty coupled with the government's ambivalent attitude towards the European Union. What has separated it recently is the fact that it held up quite well against the D-Mark last week after the government's victory on the Europe vote.

All of this resilience disappeared, however, in a brief bout of selling after UK markets closed on Monday.

At the time, there was no credible explanation for why sterling fell so sharply. Subsequently, a rumour about Mr John Major, the prime minister, resigning has been cited as a possible trigger for selling.

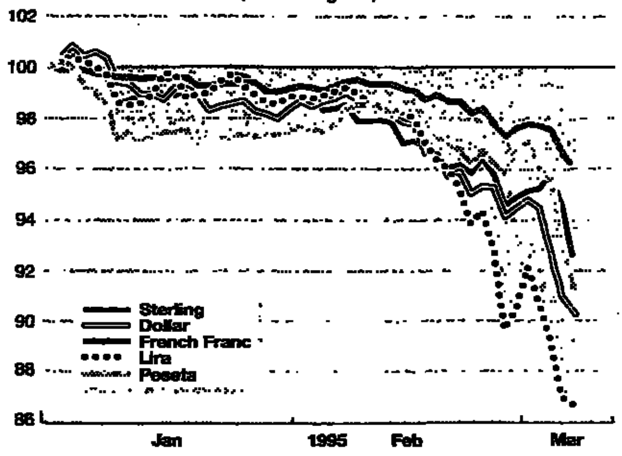
The more credible explanation was that sterling was simply catching up with the declines seen by other European currencies.

Traders said selling took place in thin trading conditions. When sterling breached DM2.30, this triggered a lot of technically based stop-loss selling, pushing the currency sharply lower against both the dollar and the D-Mark.

Mr Paul Chertkow, head of global currency research at UBS in London, said sterling had also been sold in New York for no reason other than the fact that it had fallen less against the D-Mark than other EU currencies. "It was almost that cynical."

How sterling compares

Indices relative to the D-Mark (Trade-Weighted)



Source: Datastream

UK NEWS DIGEST

Atomic energy arm finds buyer

The Atomic Energy Authority has agreed to sell its facilities services division to Procord, the US-owned installations management company. The sale marks the first completed transfer into private hands of a business related to the government's nuclear energy programme, and is part of the reorganization of AEA set in motion 18 months ago.

A bill to privatise AEA Technology, the research and development arm of the authority hived off along with the facilities services division in October 1993, faces its second reading in parliament on Tuesday.

Procord, owned by Johnson Controls, the US-based motor components, batteries and general control systems multinational, beat three other contenders to win the sale. Under the agreement, AEA Technology guarantees Procord £110m ($180.40m) revenue over the next six years. The price of the business, which employs 950 people across the country, was not disclosed. *James Harding*

Naval base to be sold

The Rosyth naval base in Fife, Scotland, which is to close next year, is being put on the market by the Ministry of Defence. The site, with frontage on the Firth of Forth, is likely to attract interest from a consortium set up to develop it for commercial use.

The naval base adjoins the Rosyth naval dockyard which Babcock International, the operator, is negotiating to buy from the MoD. Ryden, the Edinburgh property consultants, have been instructed to invite bids for a 90ha site which covers most of the naval base, including the quayside, as well as workshops and stores. It is asking for expressions of interest to be lodged by May 5. *James Buxton*

Soap complaint upheld

Soap wars spilled over from the washing machine to the kitchen sink today as the Advertising Standards Authority, the advertising watchdog, upheld a complaint from Procter & Gamble about claims made by rival Unilever for its Persil washing up liquid. Poster and press advertisements claimed "New Persil dissolves grease better than any other washing-up liquid" and showed three piles of plates with a pack of Persil on top of the tallest. Procter & Gamble challenged the claim and also objected to a leaflet which stated: "Persil. Dissolves Grease Best".

The ASA said test results on Persil liquid presented by both companies were not comparable and, in the absence of a generally accepted test "the advertisers should claim no more than top parity at dissolving grease". Unilever said it would not use the image of the pile of plates again. *Diane Summers*

Businesses review Emu

The British Chambers of Commerce, which represent about 214,000 businesses, yesterday threw their weight behind the government's approach to European economic and monetary union. The chambers' national council agreed that Britain should continue to keep its options open but be fully involved in negotiations on Emu.

The council's members, representing local and regional chambers throughout the UK, said the government should defer a decision on whether or not to join Emu until other European Union member states chose to engage in the venture.

Mindful of the UK experience of membership of the European exchange rate mechanism between 1990 and 1992, "micro companies" were especially fearful that businesses might have to contend with inappropriate interest rates in a monetary union.

The chambers plan to carry out referenda among their members in the regions to build up a clearer idea of the distribution of support or opposition to Emu. *Peter Norman*

Wind-platform launch

Amoco, the US oil company, yesterday unveiled a wind-powered North Sea platform that will help to cut the cost of producing natural gas from small, marginal fields.

The first two unmanned "Amoss" platforms have been built at Brown & Root McDermott Fabricators at Nigg Bay in Scotland for use on Amoco's Davy and Bessemer fields off the Norfolk coast.

The Amoss design is two-thirds lighter than the conventional equivalent. Amoco forecasts an 85 per cent reduction in diesel costs, the fuel normally used to power generators on unmanned platforms, and a 75 per cent cut in hydrocarbon exhausts. *Robert Corzine*

Housing starts fall UK housing starts fell by 7 per cent to 38,300 in the three months to the end of January compared with the same period a year ago, according to government figures.

Compared with the previous three months, housing starts fell by 11 per cent on a seasonally adjusted basis. Private sector activity fell by 8 per cent and housing associations also started fewer new dwellings. Building by local authorities and government departments remains at a very low level. The number of dwellings completed increased by 3 per cent year-on-year to 47,500.

Teachers to strike today Further education colleges across England are likely to be hit by strike action today as the two-year dispute between lecturers and college managers intensifies. Leaders of the Natfhe lecturers' union said there would be strikes in at least 53 colleges today as part of a "week of action" against new contracts which specify no maximum number of working hours each week.

Most colleges are members of the Colleges' Employers' Forum which argues that changes to the national contract, which includes 14 weeks' holiday entitlement each year, are necessary if the further education service is to respond to increased demands for block training from employers, and for more adult students.

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Global communications

BUSINESS AND THE ENVIRONMENT

Heat from a hole in the ground

Victoria Griffith on 'hot dry rock' as a potential source of energy

As the first commercial project to generate electricity with heat from deep within the earth prepares for launch in New Mexico, advocates are hailing "hot dry rock" as an important new source of energy.

"This is a great breakthrough," says Stewart Udall, former secretary of the interior under presidents Kennedy and Johnson and a prominent environmentalist. "Hot dry rock produces no emissions. It's renewable and ecologically superior to any other energy source available today."

Companies are anxious to test the technology commercially. The US Department of Energy plans to contribute \$30m (£19m) to a project in Fenton Hill, New Mexico, to help build the world's first commercial hot dry rock power plant. Private industry would put up the rest of the funds, probably another \$30m.

So far, 41 companies have submitted bids for the project. The deadline for proposals is March 28; winners will be announced shortly after that date and construction is scheduled to begin by the end of the year.

Hot dry rock energy is produced by pumping water deep underground until it hits the rock that is directly heated by the earth's molten inner core – usually 4km or more under the surface, where temperatures hover at 500°C. The hot water is pumped to the surface and is converted to electricity. Once cooled, the same water is pumped underground once again.

Hot dry rock heat is enticing because it is, practically speaking, limitless. Unlike solar energy, the earth's natural heat can be tapped 24 hours a day. Although the process is cheapest in regions where the rock is closest to the surface – usually areas prone to earthquakes and volcanic activity – the energy source is available almost everywhere on the planet.

"We're riding around in space on a massive heat engine," says David Anderson, executive director of the Geothermal Resource Council, a trade organisation. "It's just a matter of tapping that."

Geothermal companies, which use natural hot water to generate energy, are eager competitors for the project, since the technology used is similar to their own. Ecologists like the concept because the power source wreaks minimal environmental damage. "This is a closed loop system," says Gary Shulman, president of Geothermal Power Company, one of the bidders. "There's no waste, no gas, no nuclear waste. It's the answer to global warming."

Because the pumped water is used over again, advocates say there is negligible depletion of water sources. And because storage wells for the energy are small, very little land is needed.

"The goal is for every large building to have a well in the basement to provide its own electricity," says David Duchane, head of the Fenton Hill project at Los Alamos National Laboratory. "You wouldn't get massive surface storage facilities."

The main environmental risk is during drilling. Fragments of rock may be sent up in the air, and the drills themselves spit out diesel fumes, but since drilling occurs only once, supporters say the impact is minimal.

Increased seismic activity is another potential risk. Because the process cracks hot dry rock under the surface, scientists are concerned that the technology will trigger earthquakes.

The biggest challenge facing the new power source is creating electricity at a low cost to consumers. Even the project's most fervent supporters admit that the energy source is not currently cost-effective. In the future that might change.

The private sector is betting that technological improvements will make the hot dry rock process more efficient. The system may be able to double as a water sterilisation system, for instance. The cost dynamics of hot dry rock also depend on the pricing of other energy sources.

"This energy looks a little expensive now because natural gas is so cheap," says Anderson. "But that's going to change because eventually we're going to deplete our natural gas resources. Hot dry rock never gets depleted."

Balance of nature

Nigeria's Okomu forest shows up the developing countries' ecological predicament, writes **Paul Adams**

As Nigeria struggles to maintain the interest of foreign investors, the conflict between commerce and ecology becomes sharper than ever. The question for Nigeria, as in many developing countries, is how to balance the need to diversify exports against the environmental consequences.

The government says the economy is over-reliant on oil revenue and wants to see development in agriculture and light industry. Environmentalists, however, argue that the government has failed to strike a balance between rural development and conservation.

Okomu is the last big rainforest in western Nigeria and one of the few remaining in west Africa. The Okomu forest reserve is a prime target for anyone seeking more land, including the expanding local population, commercial planters and timber exporters.

"There is enormous pressure on land in this area," says a forestry expert at the Nigeria Conservation Foundation. "All over this part of Nigeria, forest is disappearing."

Okomu was declared a reserve in 1912 to protect it, but since it was entrusted to the state government of Edo (formerly Bendel state) more than two decades ago it has been drastically reduced. Oil palm and rubber plantations and smallholder farming, as well as illegal logging, have all encroached on the area.

In 1985 the NCF began to reverse the decline. It has secured 112 sq km of land at the heart of the forest as the Okomu Wildlife Sanctuary, managed by the NCF and surrounded by a bigger buffer which would give large mammals enough range and keep illegal loggers and poachers at bay.

The NCF is working on a land use plan for Okomu sponsored by Britain's Overseas Development Administration. Together with the government, plantations, timber companies and smallholder farmers, it is trying to work out a balance between rival interests to ensure that stable farming and a forest reserve can co-exist.

Michelin, the world's biggest tyre manufacturer, took over a run-down rubber plantation just outside the forest reserve in 1981, and began to upgrade it. The company plans to extend its global rubber production to meet expected rises in demand.

It regards southern Nigeria as potentially the highest yielding area for rubber in the world. "We made it clear at the time that the 1,750 ha at Osse River was not enough to be viable and that we would be looking for more land," says Michelin. In 1991 Edo state government granted Michelin a concession to extend the estate into the Okomu forest reserve and leased the land for 25 years at an annual rent of N40,000 (then \$2,200) per square mile.

Bruce Paton

Nigerian rainforest: a land use plan may reconcile conflicting interests in Okomu

After local protest Michelin withdrew from a section of this land bordering on the village of Udo. In late 1992 it began to cut and burn the forest and soon faced criticism from conservationists.

Critics of the project acknowledge that Nigeria needs investment by multinationals of Michelin's calibre, especially in agriculture, but argue that there is plenty of land outside the reserve suitable for rubber.

They accuse Michelin of failing to consider the effects on both the environment and the local community of an influx of workers and the conversion of forest or farmland to rubber plantation. "What worries us is that local companies will see what Michelin has done and want to clear more of the forest for logging or planting rubber," says the NCF forestry expert.

In a recent statement Michelin says that the rubber estate has been "authorised by the government to locate there and regards itself as a custodian of security of the Okomu Wildlife Sanctuary".

The company says it could not acquire a big enough adjacent area except for land already being farmed, which would have involved displacing people.

The World Wildlife Fund recently informed Michelin that theirs was "an action which the WWF cannot condone". "WWF believes that Michelin's actions will give a clear signal to individuals, commercial companies and government institutions in Nigeria that the destruction of natural forest within forest reserves and its replacement with plantations is a justifiable activity."

A cost benefit analysis sponsored by the NCF found that natural forest in the area has a "higher economic return than rubber plantation" and also provides "significant environmental benefits impossible to quantify", and that the "range of foods, medicines and timber provide high social and cultural benefits to communities in and around the reserve".

Nigeria's Civil Liberties Organisation has taken Michelin and the state government to the high court in Benin for allegedly failing to comply with a 1992 federal decree which makes it compulsory to carry out an Environmental Impact Assessment before any new development.

Jean-Claude Deltheil, managing director of Michelin Nigeria, rejects this claim. "We have behaved in a totally legal manner. Our project began before the government decreed that EIAs were compulsory and the decree is not specific about how an EIA should be conducted. But we know the impact on the community, which can only be positive. We are providing employment, schools, clinics, electricity and water supplies."

In early 1993, under protest from the NCF and the villagers at Iguowan, on the edge of the new plantation, Michelin stopped the clearance pending the land use study for the whole area. Michelin agreed to leave intact two 1 square mile blocks of forest bordering on the sanctuary before starting in 1994 to clear the remaining blocks.

Michelin has left some trees around the village huts and a small lake but some medicinal trees, shrines and other sacred places had already been destroyed. Michelin acknowledges this, and says it did not know they were there, but is now working with an archaeologist to prepare the site as part of Benin's bid to be declared a world heritage site by the UN.

The government has a poor record in conservation, but it recently passed an edict that there would be no further plantations conceded in the forest reserve. NCF is trying to lessen the impact of the forest clearance and hopes that its land use plan will reconcile commercial interests with the survival of the forest.

Reading up on paper

The Business Council for Sustainable Development, an environmental lobby group, has launched a wide-ranging project to look into the production of paper and its impact on the environment.

The \$600,000 (£380,000) research initiative, which is being conducted by the London-based International Institute for Environment and Development, is looking at every aspect of paper production worldwide. This ranges from sources of fibre to processing, consumption, recycling and final disposal.

The project is partly funded by governments as well as environmental agencies and industry.

Paper production represents 1 per cent of the world's total economic output and global consumption is growing at a rate of 3 per cent a year. The growth in demand raises a question about where the industry can source its raw materials in the light of increasing environmental restrictions on cutting down trees.

"There has been a general assumption in the industry that demand and supply would be more or less in balance for the next 30 to 40 years. But this has become less and less credible as restrictions on harvesting timber have become tighter," said Richard Sandbrook, executive director of IIED. He points out that while looking at best practice in the industry, the project will also focus on demand and alternative fibre sources.

In addition, the project aims to work out the environmental costs of recycling paper, transporting and de-inking it compared with using virgin fibre. Sandbrook believes it is important to move recycled paper plants closer to sources of supply rather than transport waste paper over large distances.

One of the benefits of the study will be to look at paper-making policies and government strategy and assess their effect on a worldwide basis.

Deborah Hargreaves

TENDER NOTICE

UK GOVERNMENT ECU TREASURY BILLS

For tender on 14 March 1995

1. The Bank of England announces the issue by Her Majesty's Treasury of ECU 1,000 million nominal of UK Government ECU Treasury Bills, for tender on a bid-yield basis on Tuesday, 14 March 1995. An additional ECU 50 million nominal of Bills will be allotted directly to the Bank of England for the account of the Exchange Equalisation Account.

2. The ECU 1,000 million of Bills to be issued by tender will be dated 16 March 1995 and will be in the following maturities:
ECU 200 million for maturity on 13 April 1995
ECU 500 million for maturity on 15 June 1995
ECU 300 million for maturity on 14 September 1995

3. All tenders must be made on the printed application forms available on request from the Bank of England. Completed application forms must be lodged, by hand, at the Bank of England, Customer Settlement Services (formerly Securities Office), Threadneedle Street, London, London not later than 10.30 a.m., London time, on Tuesday, 14 March 1995. Payment for Bills allotted will be due on Thursday, 16 March 1995.

4. Each tender at each yield for each maturity must be made on a separate application form for a minimum of ECU 500,000 nominal. Tenders above this minimum must be in multiples of ECU 100,000 nominal.

5. Tenders must be made on a yield basis (calculated on the basis of the actual number of days to maturity and a year of 360 days) rounded to two decimal places. Each application form must state the maturity date of the Bills for which application is made, the yield bid and the amount tendered for.

6. Notification will be despatched on the day of the tender to applicants whose tenders have been accepted in whole or in part. For applicants who have requested credit of Bills in global form to their account with ESO, Euroclear or CEDEL, Bills will be credited in the relevant systems against payment. For applicants who have requested definitive Bills, Bills will be available for collection at the Customer Settlement Services, Bank of England after 1.30 p.m. on Thursday, 16 March 1995 provided cleared funds have been credited to the Bank of England's ECU Treasury Bills Account No. 59005516 with Lloyds Bank Plc, International Banking Division, PO Box 19, Hays Lane House, 1 Hays Lane, London SE1 2HA. Definitive Bills will be available in amounts of ECU 10,000, ECU 50,000, ECU 100,000, ECU 500,000, ECU 1,000,000, ECU 5,000,000 and ECU 10,000,000 nominal

7. Her Majesty's Treasury reserve the right to reject any or part of any tender.

8. The arrangements for the tender are set out in more detail in the Information Memorandum on the UK Government ECU Treasury Bill programme issued by the Bank of England on behalf of Her Majesty's Treasury on 28 March 1989, and in supplements to the Information Memorandum. All tenders will be subject to the provisions of that Information Memorandum (as supplemented).

9. The ECU 50 million of Bills to be allotted directly to the Bank of England for the account of the Exchange Equalisation Account will be for maturity on 14 September 1995. These Bills may be made available through sale and repurchase transactions to the market makers listed in the Information Memorandum (as supplemented) in order to facilitate settlement.

10. Copies of the Information Memorandum (and supplements to it) may be obtained at the Bank of England. UK Government ECU Treasury Bills are issued under the Treasury Bills Act 1877, the National Loans Act 1968 and the Treasury Bills Regulations 1968 as amended.

Bank of England
7 March 1995

ARTS

Television/Christopher Dunkley

'Having fun' on a Saturday night

There is something special – odd, if you like – about television on BBC1 and ITV early on a Saturday evening. The working week has finished. Later many people will be going out. But between about 5.30 and 9.00 nearly half the British population, some 25m people, watch the two popular channels. The programme mix that you find on most evenings at this time changes on Saturdays. Look at today's schedules and on BBC1 you will find, in addition to entertainment, an hour of news, a current affairs magazine and a letters programme. On ITV there is news, a holiday programme, and sport as well as two soap operas. But the Saturday schedule between teatime and pub time consists exclusively of what the British tend to call "Having a bit of fun". And what do they see as fun? American family drama, money prizes, laughter, sentimentality, and most of all parlour games.

ITV gets in first with *Baywatch* at 5.20, an American confection about life savers widely known as "Babewatch", in which young women with big breasts and small bathing costumes do a lot of bouncing and diving without smudging their lip gloss. The chaps tend to do everything – running, swimming to the rescue, whatever – in slow motion, proving how fast they are. This week's "story" involved Richard Branson water-skiing behind his air ship, getting tangled in netting, being freed by a budding English pop songstress named Molly, and getting her a record deal. Molly's Englishness was flagged for American viewers by giving her an Eliza Doolittle hat and accent and having her crack the statutory two-cultures-separated-by-the-same-language joke: telling Americans she would "knock them up" in the morning. What a shame the phrase is not actually used in England. The reason for the girl's dated name became clear when Little Richard turned up and sang "Good Golly Miss Molly". There has never been a series quite like it.

At 5.45 BBC1 weighs in with *Big Break*, a programme with a typical Saturday evening formula: a studio, a comedian who laughs at his own jokes sooner and louder than anyone else, members of the public as contestants, a game show involving ludicrously easy questions and prizes miserly enough to cause blushes at a hoopla stall. This week one contestant won a telephone in the shape of a pink plastic pig. When that ends you can stay on BBC1 for *The New Adventures Of Superman*, another family drama series from America, excellently well made and very finely judged. It can easily be enjoyed as a fantasy adventure by those unfamiliar with Supes, but is even more fun for those who grew up with Marvel Comics since it accurately reproduces the original tone. The bad guy who used ultrasound as a weapon and a shield this week was finally vanquished when Our Hero zoomed off into the wide blue yonder and returned at terrific speed. Instantaneously the force field disappeared "How'd you do that?" asked the Baffled Baddy. "Simple", snapped Supes, "I broke the sound barrier!"

Drama wins the biggest rating of the evening, with BBC1's hospital saga, *Casualty*, currently topping the weekend charts (15.2m) for the week ending 19 February according to BARB, putting it half a million ahead of *The National Lottery Live*, an unimaginative little programme which would no doubt achieve the same rating whether the winning numbers were presented from the Channel Tunnel station by Anthea and Gordon, as they were this week, or from Willesden Junction by Norman Lamont. (Come to think of it...) However, it is the game shows, costing a fraction of a drama budget, which fill up the bulk of these Saturday evening hours.

ITV currently runs three games in line: *You Bet!* in which a team of "celebrities" and a studio audience win money for charities by betting on whether people can accomplish peculiar tasks in a given time; creaky old *Blind Date* in which six young people trot out laboriously rehearsed gags in a contest to get a date with someone of the opposite sex; and *Family Fortunes* in which two family groups of five try to match what the public said when polled, for instance, on synonyms for Goodbye: cheerio, ta-ta, be seeing you, and so on. Up against the middle of this trio BBC1 puts *Noel's House Party* in which former disc jockey Noel Edmonds, forever running around the studio as though in a tearing hurry, presents a collection of cringe-show routines ranging from "Wait Till I Get You Home" (what embarrassing things will a child say about its parents) to "Gotcha" in which "celebrities" are caught by hidden cameras.

Two thoughts occur after watching a few weeks of these schedules. First, it all seems endearingly low key and old fashioned. There is a remarkable absence of sex and violence: the nearest you get to sex is the pulchritude in *Baywatch* which is on a par with what you might have seen in the pages of *Lilliput* in 1954. And unless you count Noel Edmonds emptying a bucket of blue goo over somebody's head, or the accidents in *Casualty*, there is no violence at all. The games in the game shows are wonderfully tame. You can imagine the sort of "challenges" that would be dreamed up if *You Bet!* was done in the US: people would be leaping canyons in rocket cars or sitting down to eat whole roast cows. Here we get six young people making 22 pizzas and a man slowly hauling himself up in the air by winding webbing round his arms. Gosh.

The second thought is that if this is what the majority want, then those of us who prefer a smattering of something a teeny bit more demanding had better stay on the *qui vive*. Gresham's Law operates as forcefully in television as anywhere. Today's breathtakingly cheap mid-morning sofa show is tomorrow's early evening series and, unless you are careful, next month's peak time summer filler. We have already seen from the satellite and cable industry how it is possible to fill a schedule (well, fill it after a fashion) with a budget one tenth the size of a terrestrial network's, and you can presumably make an entire series of *Blind Date* for the price of a couple of hours of decent drama. Yet *Blind Date* wins 12.5m viewers. There is probably a commissioning executive musing "If you can run three game shows back to back on a Saturday, why not four on a Wednesday?"

Theatre/Alastair Macaulay

'In Praise of Love' revived

Handkerchieves joined the ranks of the unemployed at Monday's new West End production of Terence Rattigan's 1973 *In Praise of Love*, but how come? The play – a well-wrought tear-jerker that custom has not staled – makes a welcome addition to that stuttering stream of recent seasons laughingly known as "the Rattigan revival". Anyone watching it can surely feel how well Rattigan, even in the decade of his death, had his finger on the pulse of a Shaftesbury Avenue audience. It thaws us with charm, warms us with laughter, surprises us with canny twists of sentiment. Following it, we *want* to have a good cry.

A large part of the play's theme could belong in a Bette Davis or Joan Crawford movie: *viz.* the husband and wife, Sebastian and Lydia Cruttwell, both secretly know that Lydia has only a short while to live; neither, however, knows that the other also knows.

The play's other main theme, however, is far from Hollywood. For *In Praise of Love*, like so much of Rattigan's work, is about Englishness. Sebastian is not your typical Englishman, since he is a high-brow arts critic with vociferous communist sympathies. (Ho hum.) His behaviour is none the less pretty Tory, and his generally arrogant and insensitive manner is well seasoned. Rattigan catches this with humour and charm. "Do you know what 'le vice anglais' – the English vice – really is?..." Sebastian asks their chum Mark. "It's our refusal to admit to our emotions... Well, I'm being punished now all right – for a lifetime of vice." And at last he succumbs to emotion.

Eyes stay dry for several reasons. 1973 is too near a date to have much nostalgia appeal. Peter Bowles, an actor of impeccable Englishness and relaxation, does not project the force of intellect that Sebastian must have, or the monstrous appearance of heartlessness which should at first incense the other characters against him. Lisa Harrow's broad and beautiful bone structure is perfect for the Estonian Lydia, and she plays to everyone around her with exemplary attention; but the Estonian accent she employs (very well) gives her voice an unyielding edge, and she applies charm in too intense a manner.

The role of Mark – bestselling author and old chum who loves, listens and then leaves – is singularly ungrateful; the actor seems to be in perpetual profile, focusing on the other, more interesting, person or persons onstage. Ray Lonnen does not convince as a Lithuanian American, let alone as a racy bestseller; his energy is too subdued. Christien Anholt brings rosy-faced freshness to the role of the Cruttwell's 20-year-old son Joey. Richard Olivier, directing, paces it all with skilful variation of tempo and mood. Sean Kavanagh, designing, creates a completely convincing 1973 interior without overdoing the period detail. The production's most arresting feature is a chair that can be flipped in half to become a set of library steps. I will forget the performance; but I want that chair.

At the Apollo Theatre, WC1.

All about Englishness: Peter Bowles and Lisa Harrow — Alastair Muir

Music in London

Elgar: the music maker

Having discovered the advantages of the "mini-series", the BBC Symphony Orchestra is working the idea hard. By bringing together four or five concerts on a single theme the orchestra has enough of an event to attract the public's attention, but not so much that it is risking a disproportionate amount of funding on one project.

There was a number of disparate reasons for putting together a mini-series focused on Elgar. Firstly, the BBC has declared 1995 to be the year of "Fairest isle" (its festival of British music) and while there is plenty of Purcell, Tippett and Britten around owing to their anniversaries, there would not otherwise have been much Elgar. Secondly, the BBC Symphony Orchestra is currently working through Elgar's major works under a commercial record contract. The latest release is *The Music Makers*, so why not call the mini-series that? A few more copies might be sold at the bookstall on the way out.

The four concerts include the symphonies and concertos together with *The Dream of Gerontius*. They do not allow time to explore any rarities. The opening programme at the Royal Festival Hall on Monday paired *Falstaff* with the *Enigma Variations* and showed by and large how much more proficient the orchestra is at big, virtuoso, romantic scores than it was a few years back.

Andrew Davis must hold businesslike rehearsals. Elgar's flourishes in the strings are usually a scramble, but here every semiquaver was neatly sorted out; the wind section was able to make detail tell without having to fight through the usual mêlée. In the *Enigma Variations* Davis's grace and precision rendered each variation with attractive sleight of hand (despite the ugly brass climax to "Nimrod") but *Falstaff* is a different kind of Elgar which suits him less well. There was no depth, no generosity of spirit, no rounded girth to the orchestral sound. One imagined an implausibly svelte Falstaff tripping along with a breezy smile.

In between was the premiere of a Trumpet Concerto by 34-year-old David Sawer. Like the two Elgar pieces, this came with extra-musical associations: trumpet and orchestra were locked in combat, wrestling like Hercules and Antaeus in Greek myth, one lifting the other on high and then tossing him to the ground. One could either follow the detailed scenario in the programme or simply enjoy the music's pictorial rise and fall, as it moves from one bout to the next.

Graham Ashton was the nimble soloist, pitted unequally against a battery of percussion. Even if the audience came for the Elgar, it is unlikely to have been bored by a 13-minute concerto that packs in so much action.

Richard Fairman

Sponsored by Land Rover. Further concerts on March 10, 15 and 19.

Inspired trios

For a Wigmore Hall Master Concert on Friday, the Salzburg violinist Thomas Zehetmair made up a "scratch" trio with Tabea Zimmermann and Heinrich Schiff. The hall was packed; and sure enough, we heard glorious playing.

There are really no established string-trio teams, though occasionally three-quarters of an established quartet performs under its familiar label – for there is too little repertoire for them to explore. Chiefly the divine Mozart Divertimento, K.563, and beyond that Schoenberg's late op. 45 Trio, for the intrepid only; otherwise just some early Beethoven (not so good) and a little early Schubert (better) – no serious Haydn, no Schumann or Brahms, nothing French but Roussel's practically posthumous Trio.

No mystery about that: as Misha Donat's excellent programme-notes remarked, the string trio is "an exacting medium". At least in tonal music, writing well for three voices, even when they can all do some double-stopping from time to time, is *much* tougher than writing for four. It takes at least three different notes to identify a tonal chord: with only three players on hand, the demands of harmony leave the composer desperately little free play unless he is a master-craftsman. Having a fourth voice on tap is by comparison a terrific luxury, which is why the quartet repertoire is so rich. It is not surprising that the few great trios are by Old Masters.

Zehetmair & co. made something charming and persuasive of Schubert's single B-flat movement, all that he completed of the trio now labelled "D.471". In Mozart's Divertimento they did much more. Since it would be pointless to gild the lily, they applied themselves to playing it simply and beautifully, with limpid understanding. There were countless little touches of insight nonetheless, both personal and self-effacing – and one broad joke. I always thought that the second Minuet, disarmingly plain, could bear some friendly guying; that was what Zehetmair's trio did here, and the result was funny, tongue-in-cheek and true-to-life.

The revelation of the evening, however, was Schoenberg's 1946 Trio. Only a couple of weeks ago the distinguished Alban Berg Quartet treated it scrupulously as laboratory material, abstract and detached. But this Trio was the outcome of the old composer's brush with death, in the form of a grave heart-attack; Zehetmair, Zimmermann and Schiff were at one in projecting it with tight drama, high dynamic contrasts and pregnant pauses for weary thought.

The whole work sounded like the bleak masterpiece it is, superbly paced and graded. Scarcely anybody dared cough – we were too anxious not to miss the next gripping paragraph. Zehetmair, whose authority informed this entire performance, is fast becoming one of the most musically rewarding violinists around, as Wigmore aficionados know; the South Bank and Barbican will doubtless catch up soon.

David Murray

New writers to lose theatre venue

The 1994 Verity Bargate Award has been split between Angela Meridith for her play *Pavan For a Dead Princess*, and Judy Upton for *Bruises*. This year for the first time Stoll-Moss has put up £2,000 prize money.

Now, in theory, the plays by these novice writers are guaranteed productions by the Soho Theatre Company at the Cockpit Theatre in Westminster.

But by July the Soho Company could have been evicted from the Cockpit by its landlord, City of Westminster College, which wants it back, ironically, as a theatre for its performing arts students.

The Soho Theatre Company has been at the Cockpit for five years and has made it a driving force for new writing. It only presents new plays and among its recent successes has been *Our Boys*, *Yiddish Trojan Women*, and *Kinder Transport* by Diane Samuels, which is due in the West End shortly after an off-Broadway run.

The Soho receives 1,500 scripts a year and claims to read them all. Its reputation is such that the company would would be welcomed elsewhere, presumably at another site in Westminster, since the local council gives it over £100,000 a year (which is matched by the London Arts Board). But the company wants to stay at the Cockpit.

It maintains that is being kicked out halfway through a promised tenancy of five years. it seems strange that the City of Westminster College cannot exploit the talents of theatre professionals on a campus site and there must be hope of a compromise. Ideally, the Soho Theatre Company would like to buy the Cockpit.

If there is no deal it is likely to move to a new space in Westminster; with Talawa moving out of the Cochrane Theatre perhaps Soho can have a go at livening up that unhappy Holborn venue.

Antony Thorncroft

INTERNATIONAL ARTS GUIDE

■ BERLIN

GALLERIES
Altes Museum Tel: (030) 203 550
● Munch and Germany: exhibition of early works by Norwegian artist Edvard Munch and German artists that were influenced by him; to Apr 23
OPERA/BALLET
Deutsche Oper Tel: (030) 341 9249
● Die Zauberflöte: by Mozart. Conducted by Lawrence Foster/ Sebastian Lang-Lessing/Stefan Soltesz and produced by Günter Krämer; 7pm; Mar 10, 13
● Les Intermittences du Coeur: ballet in two parts by Saint-Saëns. Choreographer, Roland Petit; 7.30pm; Mar 9
● Martha oder Der Markt zu Richmond: by Friedrich von Flowtow. Premiere conducted by Sebastian Lang-Lessing and produced by Winfried Bauernfeind; 7pm; Mar 11, 14

■ FRANKFURT

CONCERTS
Alte Oper Tel: (069) 1340 400
● Philharmonisches Staatsorchester Halle: with violinist Christian Altenburger. Heribert Beissel conducts Mozart and Beethoven; 8pm; Mar 9
GALLERIES
Arte Giani Tel: (069) 97 58 37 88
● Le Corbusier: famous for his architecture, Le Corbusier also produced oil paintings, watercolours, drawings and graphics; to Mar 31

■ LONDON

CONCERTS
Barbican Tel: (0171) 638 8891
● Opera Gala Night: operatic highlights from the London Symphony Orchestra conducted by Paul Wynne Griffiths. Soloists include soprano Josephine Barstow and tenor Arthur Davies; 8pm; Mar 11
● Pierre Boulez 70th Birthday Celebration: Boulez conducts the London Symphony Orchestra with violinist Anne-Sophie Mutter and soprano Laura Aikin to play Berg, Stravinsky and his own compositions; 7.30pm; Mar 8, 9
Festival Hall Tel: (0171) 928 8800
● Philharmonia Orchestra: with pianist Murray Perahia. Wolfgang Sawallisch conducts Strauss and Schumann; 7.30pm; Mar 11, 14
● The London Philharmonic: with cellist Truls Mork and conductor Mariss Jansons plays Shostakovich and Bruckner; 7.30pm; Mar 8
GALLERIES
Serpentine Tel: (0171) 402 0343
● Man Ray: exhibition of works by the celebrated artist; to Mar 12
OPERA/BALLET
English National Opera Tel: (0171) 632 8300
● Madame Butterfly: Puccini's opera, originally directed by Graham Vick; 7.30pm; Mar 9, 11, 14
● The Cunning Little Vixen: by Leoš Janáček. Original director, David Pountney; 7.30pm; Mar 8, 10, 13
Royal Opera House Tel: (0171) 340 4000
● Giselle: music by Adolphe Adam. A Royal Ballet production choreographed by Marius Petipa after Jean Coralli and Jules Perrot and produced by Peter Wright; 7.30pm; Mar 8
● Salome: by Strauss. A new production directed by Luc Bondy and conducted by Christoph von Dohnányi; 8pm; Mar 11 (7pm)
● Swan Lake: by Tchaikovsky. Choreographed by Marius Petipa and Lev Ivanov, production by Anthony Dowell; 7.30pm; Mar 9, 10, 14
THEATRE
Apollo Shaftesbury Tel: (0171) 494 5070
● In Praise of Love: by Terence Rattigan. Directed by Richard Olivier, this comedy is based on the relationship between Rex Harrison and his wife. With Peter Bowles and Lisa Harrow; 8pm; (Not Sun)
Old Vic Tel: (0171) 928 7616
● Conversations with My Father: by Herb Gardener and directed by Alan Ayckbourn. Stars Judd Hirsch who won a Tony award for his role; 7.45pm; (Not Sun)

■ LOS ANGELES

CONCERTS
Dorothy Chandler Pavilion
● Fleisher Plays Ravel: with pianist Leon Fleisher and mezzo-soprano Carmella Jones. Lawrence Foster conducts Steiger, Falla and Ravel's "Piano Concerto in D"; 8pm; Mar 9, 10 (1.30pm), 11, 12 (2.30pm)

■ NEW YORK

CONCERTS
Avery Fisher Tel: (212) 875 5030
● American Symphony Orchestra: with pianist Robert Taub and soloists Christine Goerke and Marietta Simpson. Leon Botstein conducts Mendelssohn and Syzmanowski; 7.30pm; Mar 10
● New York Philharmonic: Valery Gergiev conducts Liadov, Berlioz and Tchaikovsky; 8pm; Mar 9, 11, 14
● The London Philharmonic: Frank Welser Möst conducts Shostakovich and Strauss; 3pm; Mar 12
● The London Philharmonic: plays Mozart, Bartók and Tchaikovsky; 8pm; Mar 13
Carnegie Hall Tel: (212) 247 7800
● Yuri Bashmet: debut at this venue for the violinist recently named "Instrumentalist of the Year" at the 1994 International Classical Music Awards. He is joined by pianist Mikhail Muntian to play Marais and Shostakovich; 8pm; Mar 14
GALLERIES
Whitney Museum
● Franz Kline: Black and White 1950-61: major Abstract Expressionist works from the last decade of the artist's life; to Mar 12
OPERA/BALLET
Metropolitan Tel: (212) 362 6000
● Der Rosenkavalier: by Strauss. Produced by Nathaniel Merrill, conducted by James Levine; 7.30pm; Mar 10
● La Bohéme: by Puccini. Produced by Franco Zeffirelli, conduted by John Fiore; 8pm; Mar 8, 11, 14
● La Traviata: by Verdi. Produced by Franco Zeffirelli, conducted by John Fiore; 8pm; Mar 9, 13
● Simon Boccanegra: by Verdi. A new production directed by Giancarlo del Monaco.; 8pm; Mar 11 (1.30pm)
THEATRE
Variety Arts Tel: (212) 239 6200
● Death Defying Acts: three one act plays by Woody Allen, David Mamet and Elaine May. Directed by Michael Blakemore and with Linda Lavin, Debra Monk and Paul Guilfoyle; 8pm; (Not Mon)

■ PARIS

CONCERTS
Champs Elysées Tel: (1) 47 23 37 47 20 08 24
● Barbara Hendricks: soprano is joined by pianist Michael Tilson-Thomas to play Mahler, Wolf and Copland; 3pm; Mar 12
● Jennifer Larmore: the mezzo-soprano with the Orchestral Ensemble of Paris. Jonathan Darlington conducts Rossini and Mozart; 8.30pm; Mar 8
● London Symphony Orchestra: with violinist Anne-Sophie Mutter and soprano Laura Aikin. Pierre Boulez conducts Berg and Stravinsky; 8.30pm; Mar 11
● London Symphony Orchestra: Pierre Boulez conducts Ravel, Messaien, Stravinsky and his own 'Messagesquisse'; 8.30pm; Mar 12
● London Symphony Orchestra: with violinist Kyung-Wha Chung and under the direction of Pierre Boulez plays Ravel and Bartók; 8.30pm; Mar 13
OPERA/BALLET
Opéra National de Paris, Bastille Tel: (1) 47 42 57 50
● Magnificat: music by Bach, choreography by John Neumeier. Gunther/Rainer Muhlbach directs this production presented by the Ballet of the National Opera of Paris; 7.30pm; Mar 9, 10, 11

■ WASHINGTON

CONCERTS
Kennedy Center Tel: (202) 467 4600
● Ballet National de Marseille: choreographer Roland Petit presents his 1991 ballet based on the style of several Charlie Chaplin films; 7.30pm; to Mar 12
● National Symphony Orchestra: with soprano Jayne West, tenor Joseph Harris and baritone Kevin McMillan. James Paul conducts Hugo Alfven, Delius and Orff; 8.30pm; Mar 9, 10 (1.30pm), 11
GALLERIES
Corcoran Tel: (202) 638 3211
● Passionate Visions of the American South: Self Taught Artists from 1940 to the Present. About 220 paintings and sculpture by 80 self taught Southern artists; to May 7
OPERA/BALLET
Washington Opera Tel: (202) 416 7800
● Tiefland: by Eugen d'Albert. Roman Terleckyj directs a new production by designer Zack Brown. In German with English surtitles; 8pm; Mar 8 (7pm)
THEATRE
Studio Theater Tel: (202) 332 3300
● Rhinoceros: by Ionesco. Joy Zinoman directs the Absurdist's comedy warning of the dangers of conformity; 8pm; from Mar 8 to Apr 9 (Not Mon)

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Beyond a quick fix

David Pilling on the struggle to protect Argentina from Mexico's crisis

The fight to restore confidence in Latin American economic reforms, waged with little success this year in Mexico, has partially shifted to a new battlefield: Argentina.

In spite of forceful attempts to distance itself from Mexico's problems, Argentina has been spotlighted by investors as the Latin American economy most likely to crack next.

Many investors believe that Argentina, like Mexico, has an unhealthy dependence on foreign capital, and that its currency is overvalued; they have rapidly withdrawn an estimated $3bn since the Mexican crisis began in December, sending Argentine bonds tumbling and nearly halving the value of blue-chip stocks.

Argentina's risk premium has risen so sharply that the country has almost lost the ability to borrow from the market. Yet the country has $5.2bn of maturing public sector debt to finance this year, as well as a current account deficit which last year rose to $11bn. This was why Buenos Aires, which in September rejected IMF loans worth $420m, last week accepted the money. It may yet go back for more.

A credit crunch, which pushed short-term interbank rates up to 90 per cent, has contributed to the closure of two wholesale banks and this month forced paper manufacturer Alto Paraná to default on $60m worth of maturing debt.

Few could accuse Argentina's economic team, led by Mr Domingo Cavallo, the economy minister, of failing to react. He has unveiled a dizzying array of measures designed to rekindle confidence. Last week – responding to doubts about the government's ability to meet 1995 fiscal targets – Mr Cavallo announced a $3.3bn austerity package, comprising $1bn of cuts and $2.3bn of tax-collecting measures.

The package, on top of $1bn of savings announced in January, has been implemented only 10 weeks before President Carlos Menem fights for a second term in May's elections. The measures include wage cuts of up to 15 per cent for senior government employees.

Such action, not normally associated with free-spending Latin American governments in election mood, has been interpreted by some commentators as demonstrating the maturity of Mr Menem's administration. Furthermore, the argument goes, the fact that the president's poll rating has increased as a result of austerity measures is a sign that Argentines themselves are no longer seeking a quick fix.

At stake is the much-lauded reform process. It has converted Argentina from a country racked by economic chaos and hyperinflation in the late 1980s into one where inflation last year fell below 4 per cent (the lowest in Latin America) and whose growth over the past three years has been exceeded by only a handful of countries.

The vehicle for that transformation, one that Mr Cavallo has sworn to defend to the bitter end, is the so-called "convertibility plan". Launched in 1991, convertibility fixes the peso at parity with the dollar

'The situation could become a tragedy or a platform for sustained growth'

and, more importantly, forbids by law the printing of local currency unless backed by international reserves.

Mr Cavallo has responded to fears that Argentina might follow Mexico down the devaluation path by deepening the convertibility mechanism, making it easier to change pesos into dollars at parity and dollarising banks' reserve requirements on deposits.

Better to become an entirely dollarised economy, he says, than to fall into the devaluation trap and unleash a new round of hyperinflation and capital flight. "Parity is eternal," he says.

Argentines, many of whom are loaded with dollar-denominated debt, certainly hope he is right. Devaluation would probably lead to electoral defeat for President Menem, who is still regarded by many as the best guarantor of stability. "We do not think devaluation is a possibility at all," says Mr Esteban Thomsen, an economist at Buenos Aires-based Banco Privado. "It will happen over Cavallo's dead body."

Mr Cavallo says devaluation makes no sense. Argentina's current account deficit – less than half of Mexico's in relation to the size of their economies – is shrinking as domestic demand slows and exports grow by an estimated 20 per cent annually. Argentina, furthermore, has issued almost no short-term paper and is not as vulnerable as Mexico to swift capital outflows.

But if these differences have helped so far to prevent chaos, they have not stopped severe strains in the credit-starved financial system. Many banks have been caught between restricted access to credit and the plummeting value of their securities portfolios. Smaller retail banks have been hit as the public transfers deposits into bigger institutions.

Mr Cavallo insists that the financial system is solid, and, as evidence, cites the relatively orderly manner in which more than 30 banks have merged in recent weeks, as the heavily over-banked system shrinks. "This situation could become a tragedy if we don't handle it correctly – or a platform for strong future sustainable growth," Mr Cavallo said yesterday. Many local economists believe convertibility is imperfectly understood by international investors and say Argentina will weather the storm. The cost of survival, however, may be a sharp fall in economic growth or a recession, against official estimates of growth of 4.5 per cent.

According to Ms Debora Giorgi of the Alpha economic consultancy, convertibility solves current account problems not by devaluation but by recession. As capital flows out, the monetary base shrinks and interest rates climb. This chokes off domestic demand, reducing imports and forcing manufacturers to divert production to export markets. "This is the fundamental difference with Mexico," she says.

With the jobless rate already at 12 per cent, the prospect of recession is not a happy one. But there are those who draw some solace from Argentina's present plight. "If Argentina overcomes this without having devalued, it will look like a pretty good country with a solid reform process," says Mr Thomsen. "We could even, very slowly, start to become something of a star, a sort of Chile of the 1990s."

Edward Mortimer

The UN – sadder if not wiser

What magnificent timing! Just as the last UN peacekeepers struggled out of Somalia on Thursday, Mr Boutros Boutros Ghali, the UN secretary-general, was in Vienna, opening a seminar on "peacemaking and peacekeeping for the next century". It was organised by a man who many think would have been a better candidate for his job, the former Ugandan foreign minister Mr Olara Otunnu, now president of the International Peace Academy, a kind of UN quango.

Perhaps not surprisingly, Mr Boutros Ghali had little to say about the next century. He delivered an emotional, impromptu description of the difficulties the UN faces now. To sum it up, the message was: "It's not my fault." He can only do what he is told by the member states, and in particular by the UN Security Council.

This was a much more modest secretary-general than the one who set out his hopes and ambitions for UN peacekeeping soon after he took office in 1992. Yet in quantitative terms his empire has expanded spectacularly. Then, the UN had 11,495 military personnel and 155 civilian police deployed in 11 peacekeeping operations. Today there are 16 such operations, deploying 62,333 soldiers and 1,169 civilian police. The number of countries contributing troops and police has risen from 56 to 74, and the annual peacekeeping budget has more than doubled, from $1.7bn (£1.03bn) in 1992 to $3.6bn today.

But behind those numbers, Mr Boutros Ghali explained, lie "qualitative changes of even greater significance". The typical conflict in 1995 is fought within states, not between them; by irregular forces, not by armies. Civilians are the main victims, and often state institutions have collapsed. "That is why the demands on the United Nations go beyond traditional peacekeeping", to include demobilising troops, promoting national reconciliation, restoring effective government, organising and monitoring elections, and long-term economic and social assistance. In short, UN peace efforts have become "more expensive, more complex and more dangerous".

Increasingly, the UN is unable to cope. It has to share responsibility with "other actors, such as groups of states, regional organisations or regional arrangements". Sometimes the most complex and dangerous phase of an operation – usually the first – is undertaken by such a group, acting on an *ad hoc* mandate from the Security Council. That was tried in Somalia, where a multinational force under US command went in December 1992, then handed over to the UN in May 1993. It is now being tried in Haiti, where the handover is due on March 31.

Reuter

US marines secured part of Mogadishu airport as the last UN peacekeepers left Somalia last week

In other cases there is a "division of labour" between UN forces and those of a regional organisation. Mr Boutros Ghali mentioned Georgia, where UN observers provide a fig-leaf of respectability for the troops of the Russian-dominated Commonwealth of Independent States; and Liberia, where a 500-strong UN observer mission, including 300 military observers, is working with the bigger and misleadingly named Military Observer Group, a full-scale intervention force sent in by the Economic Community of West African States.

Much better-known in Europe, of course, is the operation in former Yugoslavia where, as Mr Boutros Ghali delicately put it, "responsibility for air power is with Nato, and ground forces are with the UN".

As he went on to say, "these different ways of co-operation can create many difficulties", the most obvious being the lack of a unified command. That caused bitter recriminations between the UN, US and other national contingents in Somalia, and has led to constant bickering between the UN and Nato over Bosnia.

The secretary-general admitted that a UN mandate to a regional or multinational force carries dangers. The mandate "is seen as a kind of blessing given by the international community", but the forces "may use their intervention for their own purely political reasons". Yet he saw no alternative. "We recognise that this represents a danger for the organisation's credibility and image. But it is a fall-back position. We can do nothing else."

And now, he added, there is another, "completely new" problem: that of withdrawal. Not withdrawal when an operation is successfully completed, as has happened in Cambodia and Mozambique (he might have made more of this), but when the UN has to pull out "without having achieved its objectives". This can happen either because member states withdraw their troops (as has happened in Somalia, and will happen in Bosnia if the arms embargo is lifted); or because it runs out of money, as may well happen if the US Congress insists on reducing the US's share of the peacekeeping budget from 31 per cent to 25 per cent and other countries, instead of making up the shortfall, decide to follow suit. Or it can happen because the state where UN forces are stationed withdraws its consent, as Croatia has said it will do at the end of this month.

Such withdrawals are costly and dangerous in themselves. If troops have to be withdrawn with their equipment from both Croatia and Bosnia, it will take from four to six months, Mr Boutros Ghali said, and will probably cost more than the peacekeeping operation itself. In such circumstances UN positions and equipment become prizes which the warring parties try to seize (as has happened in Somalia). At worst, withdrawal may turn into an unseemly scramble, as no country wants its troops to be the last to leave.

Yet, Mr Boutros Ghali maintained stoutly, the fact of UN withdrawal from a peacekeeping operation "must not be considered as a failure. On the contrary, it is a new approach to the problem. It shows that unless there is the political will among the protagonists of a dispute to solve it by themselves, the UN cannot impose a solution."

He appeared to consider Angola a successful example of this "new approach". There, the UN withdrew its small observer force in 1993 after the result of elections it had certified as "generally free and fair" was rejected by the losing side, Unita. The war began again, and, as Mr Boutros Ghali said, "more people were killed in Angola over the last two years than in all the regions where the UN maintains peacekeeping operations".

This, he seemed to think, had been a salutary lesson for the Angolan parties, who have now reached a new agreement with the help of his special representative. It had not been easy, he said, to persuade the Security Council to authorise a new peacekeeping operation in Angola, but it had now agreed to send in more than 6,000 troops, being satisfied that this time there is "political will on the part of both the government and Unita to maintain the ceasefire". Presumably the Somali factions – and perhaps soon the Croats, Serbs and Bosnian Moslems – are expected to learn the same lesson.

There is an "ethical problem", Mr Boutros Ghali suggested, about keeping large and expensive operations going in places such as Somalia and former Yugoslavia "at the expense of operating in other places where UN troops may be needed in Afghanistan, for example, or Tajikistan". That implies that the states which sent these troops to the former countries would, after pulling them out, be happy to transfer them to one of the latter; that the Security Council would be willing to send them there; and that the US and others already in arrears with their contributions would be willing to pay.

If he believes that, Mr Boutros Ghali must have retained a strong dose of his early optimism, after all.

LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL

We are keen to encourage letters from readers around the world. Letters may be faxed to +44 171-873 5938 (please set fax to 'fine'). Translation may be available for letters written in the main international languages.

Barings bonuses an indication of City's economic force

From Mr William Wallace.

Sir, The scale of combined salaries and bonuses paid to the senior staff of Barings, as now revealed, suggests that the combined total transferred to those employed by City institutions is large enough to be a significant factor in the economy of south-eastern England – perhaps even in the UK economy as a whole.

If a medium-sized merchant bank pays £100m in bonuses a year, plus the same amount or more in salaries, we can assume that the relatively small group of senior City employees receives some large multiple of that amount. Is there any evidence available as to how these substantial transfers are spent?

It is of some economic interest to know whether these sums are spent inside or outside the UK, and whether they flow into long-term or short-term consumption – into the housing market or the racing market, into foreign holidays, cultural activities or charities.

Do successful City high-flyers put their money into land, or into new business enterprises, or into blue-chip stocks, or into offshore tax havens? And what may be the impact of these transfers upon the local and national economy?

William Wallace,
49 St James's Drive,
Wandsworth Common,
London SW17 7RN, UK

From Mr Rupert Lycett Green.

Sir, Having returned from Hong Kong, I may be in a position to pass on a view of the Barings debacle which seems to be general in the Far East.

This is that Britain has been weakened to a far greater extent as a force in the financial world by the Bank of England and its lifeboat crew of assembled bankers leaving Barings to sink, than by the failure of Barings employees to master the intricacies of the derivatives market.

Rupert Lycett Green,
Orchard Cottage,
Nr Compton Beauchamp,
Shrivenham,
Wiltshire SN6 8NT, UK

Outlook for Georgia has improved dramatically

From Mr Mohammad Shadman-Valavi.

Sir, I welcome Bruce Clark's article, "Lifeline thrown to Georgia" (March 1). UK However, he did not mention the many important changes in policies and institutions that have dramatically improved the economic outlook for this country. Following a near collapse in 1993 and early 1994 and classic hyperinflation, decisive steps have been taken since late 1994 to stabilise and restructure the economy.

A comprehensive programme of stabilisation and structural reform, developed in close consultation with the staffs of the International Monetary Fund and World Bank, is now being implemented. The programme calls for prudent fiscal and monetary policies, price liberalisation and a massive reduction to subsidies. This is accompanied by an affordable social safety net, measures to build monetary institutions, trade reform, privatisation, and development of a legal framework for transition to a market-based economy.

These measures have halted hyperinflation, and led to a welcome sharp nominal appreciation of the exchange rate for the Georgian coupon against the US dollar. While much remains to be done, the authorities have made a strong start, and should be commended for embarking on an ambitious reform programme in the difficult circumstances described by Bruce Clark.

This programme has been supported generously by the IMF and other international financial institutions, the donor community (including Russia and Turkmenistan), and the European Union. The IMF has disbursed about $40m, under the systemic transformation facility, and more assistance is planned with further implementation of reform measures. The rehabilitation of the Georgian economy will take time and will depend on sustained implementation of reforms by Georgia and the timely provision of adequate concessional financial assistance from the international community. It is important that the EU continues to play a leading role in this process.

Mohammad Shadman-Valavi,
division chief,
southern division,
European II department,
International Monetary Fund,
Washington, DC 20431, US

High pay indicates priorities are wrong

From Mr Nicholas Berry.

Sir, The problem of overpaid directors, supported by mutual remuneration committees, could be solved if institutional shareholders behaved more like owners and less like casino gamblers.

About four-fifths of equity investment is held by institutions. Yet City institutions are more likely to treat shares as tokens in a game of monopoly than ownership entitlements carrying responsibilities.

The main reason for such behaviour is investment success is measured by short-term performance, half-yearly, quarterly, or even monthly.

The intrinsic value of a business – judged by its economic characteristics and the personal characteristics of its managers – needs to be reflected over a longer timescale.

As has been said, "in the short run shares are a voting machine registering voter preferences. In the long run, they are a weighing machine registering value." Short-term performance tables are thus a poor guide to investment skill.

A second reason for not rocking the boat is that institutions are usually linked in mutual dependence to the main brokers and issuing houses who themselves depend for revenue on the companies they promote. Investment managers engaged in this exciting race are neither especially interested in, nor are they trained for, judging managers' "pay arrangements".

As a rather rare private investor on an institutional scale, with the largest shareholding in three public companies (Coal Investments, Kunick and Barlows), I take a different view.

If a chief executive rewards himself excessively, he is signalling to his owners that their interests are not always his first priority, and this will probably be reflected in other ways in the business generally. Excessive salaries and risk-free options are therefore declarations of anti-owner policies, and should be punished. It would be a simple matter to vote against the re-election of directors.

The knowledge that this could happen would then be its own deterrent.

So long as institutional investors concentrate their efforts on casino-like behaviour, some managers will profit from the distraction of their owners to behave like robbers.

Nicholas Berry,
chairman,
Stancroft Trust,
Bride House,
20 Bride Lane,
London EC4Y 8DX, UK

Not sinking

From Mr Mark Cantley.

Sir, Joe Rogaly ("A safer, nuclear Titanic", March 4/5) underlines the political significance of a 500 cubic kilometre iceberg breaking off the Antarctic peninsula; but he forgets his school physics when he goes on to say: "Some of it could turn to water, raising sea levels."

A few minutes' experiment with an ice cube and a glass of water will remind him that the level rises when the chunk of ice falls into the water; its subsequent melting makes little difference. If chunks of the ice sheet start falling and slipping off the Antarctic shelf to float in the southern oceans, you don't wait for them to melt before cancelling your holiday in the Maldive Islands.

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Higher wages, fewer jobs

The wage rise agreed for the German engineering sector yesterday looks somewhat higher than the Bundesbank would like and a lot higher than employers had been bargaining for. The two-year deal reached to end IG Metall's 12-day strike in Bavaria – coupled with the previous agreement to cut the working week by one hour to 35 hours in October – looks likely to increase hourly wage costs by about 5 per cent this year and perhaps a further 4 per cent in 1996.

Although part of the increase in labour costs will be offset by productivity gains, the rise is difficult to reconcile with the Bundesbank's objective of bringing down the annual inflation rate to 2 per cent. The problems for its anti-inflation strategy will be greater if the IG Metall deal becomes a benchmark for other sectors where productivity is rising less sharply than in manufacturing.

Although IG Metall acted responsibly by not forcing an early widening of the strike, its determination to win a relatively generous settlement was never in doubt. A year ago, IG Metall's decision to accept a mere 0.3 per cent wage increase at a time of 3 per cent consumer price inflation helped produce a sharp fall in unit labour costs throughout industry, a significant factor behind last year's recovery. Against this year's better economic background, IG Metall's main aim was to claw back at least part of its members' incomes that have been cut by recent large tax rises.

As far as employers are concerned, the two-year agreement enables them to forecast costs over a longer than usual period. However, by refusing to make any initial pay offer when IG Metall was demanding 6 per cent, Gesamtmetall, the engineering employers' organisation, overplayed a weak hand. It has now lost on two scores, by conceding a higher-than-expected settlement and failing to postpone this autumn's cut in working hours.

For the economy as a whole, there will be two principal consequences. First, the wage rise will increase pressure on employers to cut costs by trimming staff and transferring production abroad. Mr Dieter Kirchner, Gesamtmetall's chief executive, was right when he said yesterday the main losers would be the unemployed and those in insecure jobs.

Second, although immediate inflationary pressures have been dampened by the renewed D-Mark appreciation, the Bundesbank is likely to start monetary tightening sooner than otherwise would have been the case. The turbulence in the exchange rate mechanism makes the Bundesbank reluctant to raise its main discount and Lombard rates until after the French presidential election. However, the timescale for action to move up money market rates has now shortened. At a time when the European recovery is still vulnerable to setbacks, the prospect of higher Bundesbank interest rates by the summer is hardly good news.

WTO confusion

Any hopes that the withdrawal of the candidacy of Mr Carlos Salinas, the former Mexican president, would simplify the task of choosing a head for the World Trade Organisation seem doomed to disappointment. Instead, the deadlock which has gripped the contest for months risks degenerating into farcical confusion, threatening to cripple the WTO from birth.

The primary responsibility for finding a solution now lies with Washington. It must have been obvious to the US for weeks that Mexico's financial crisis had severely damaged Mr Salinas's chances of being chosen for the WTO. Indeed, Washington seems to have continued to support his candidacy largely for fear that backing down would further damage international confidence in Mexico's political and economic stability.

Yet, even at this late stage, the Clinton administration seems unable to decide what to do next. At the start of last week, Mr Al Gore, vice-president, indicated that the US was happy to let the contest be decided between the existing candidates, who are now reduced to Mr Renato Ruggiero of Italy, the EU's champion, and Mr Kim Chul-su of South Korea. But on Thursday Ms Charlene Barshefsky, deputy US trade representative, branded both men unacceptable and called for the selection process to be re-opened.

All the signs point to an administration in deep disarray. If it cares at all about the WTO's future, it must make up its mind what it wants.

There are sound reasons for judging Mr Ruggiero and Mr Kim to be less than ideal candidates. While both are no doubt competent administrators, they do not obviously possess other, more important, qualities needed to establish the WTO as an effective body. Neither has demonstrated a clear and imaginative vision of how to tackle the big challenges confronting world trade policy, a talent for articulating it to a wider public, or the personal authority required to command respect at the highest level of governments.

If the US believes these – or other – weaknesses are sufficient to disqualify both contenders, it should spell out its objections formally and make clear that it is prepared to veto their appointment. It should then propose a new candidate, or explain how it wants a fresh contest organised, or do both. But if, after all, it is prepared to accept either Mr Ruggiero or Mr Kim, it should say so and seek actively to build a consensus in favour of one of them.

The greatest disservice the US could do the WTO would be to continue to prevaricate and then grudgingly acquiesce in the will of the majority. That would amount to a no-confidence vote in the eventual appointee and seriously compromise his (or her) relations with the world's largest economic power. Washington would do better to express opposition outright. Whatever its decision, it cannot be further delayed.

Volte-face

Professor Stephen Littlechild is bringing the UK's regulatory regime for privatised utilities into disrepute. In proposing to reconsider a five-year regime, put in place a mere half a year ago, in response to "widespread public concern", he is in danger of compounding his earlier error, rather than remedying it.

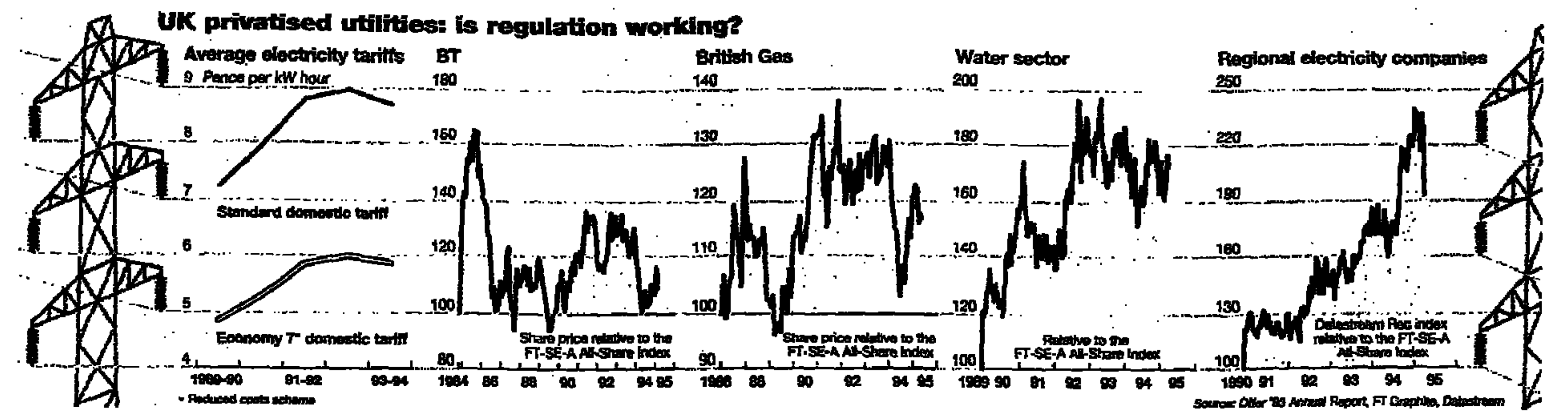
There is no question both that utilities were privatised on too generous a basis and that the government bears much of the blame. Relative to the FT-SE Actuaries All-Share index, shares of electricity distribution companies rose some 130 per cent between privatisation and yesterday's shock announcement. In the case of Northern Electricity, subject to a bid from Trafalgar House, the relative rise has been 211 per cent.

It is hardly surprising that the public is particularly dismayed by electricity. Water shares are up 76 per cent, relative to the All-Share, since their privatisation, which is not as bad, if quite bad enough. But shares in British Gas have risen only some 18 per cent, relative to the All-Share, since privatisation in 1986, while those in BT are up 9.5 per cent since privatisation in 1984. Last August, the FT wrote that the targets set by Prof Littlechild's review – cuts of between 11 and 17 per cent in distribution charges from this April, and a limit of price increases to 2 per cent below the rate of inflation for a further four years – should have been tougher.

The question of the moment, however, is whether Prof Littlechild's subsequent discoveries about the buoyancy of electricity shares and the capacity of Northern Electricity to raid the piggy bank, to keep the Trafalgar House wolf from the door, justify rethinking the price regime that is to operate from April 1996. If the regulator could credibly present this as a unique event, it would be acceptable. But he can hardly do so. The change in policy will be seen as a precedent, weakening the incentive for improved performance, though the water regulator, Ofwat, did at once explain it could not do the same thing.

At worst, regulated companies will view the regime as politically-driven and focusing on short-term profits. If so, the regulator will be damaging the framework for the indefinite future in return for punishing distribution companies now. This would be a Faustian bargain. In his approval of Prof Littlechild's move, Mr Major seems oblivious to the danger that regulatory risk will become as big a problem in future as political interference used to be for the old nationalised industries.

Prof Littlechild must consider his position. He has admitted he was wrong; he has shown himself inconstant; neither attribute can strengthen the confidence of the public in his ability as regulator. If changes are indeed to be made to the price regime, they must at least be made to look out of the ordinary. One way to make the review look exceptional is to call for careful examination of all the issues by the Monopolies and Mergers Commission. Another is to have a new regulator.



* Reduced costs scheme
Source: Offer '93 Annual Report, FT Graphite, Datastream

The watchdog that didn't bark

The UK model of regulation is under fire over the profits of the privatised utilities, says Bronwen Maddox

When Northern Electric dangled a package worth £560m in front of its shareholders last month to persuade them to turn down a hostile takeover bid from Trafalgar House, it was simply trying to buy its freedom.

But the display of surplus wealth appears to have been the final factor which pushed Professor Stephen Littlechild, the electricity regulator, into an astonishing U-turn. Yesterday, Prof Littlechild announced that he was reviewing the formula for electricity prices which he set only last August – a move unprecedented among the regulators of the UK's privatised utilities.

In recent months, the utilities have been under ferocious public attack as profits, dividends, share prices and executive salaries have soared. Prof Littlechild's statement coincided yesterday with the second appearance of Mr Cedric Brown, chief executive of British Gas, before a Commons select committee to defend his remuneration.

The essence of the criticism is that shareholders have benefited more than customers from privatisation, and that regulators have failed to correct the balance. It raises the question of whether the UK model of regulating privatised utilities is working.

The central principle of the UK regulatory model, adopted in the privatisation of telecoms, electricity, gas and water, is that prices are limited each year by a formula linked to the retail prices index (RPI). In most cases, these are "RPI minus X" formulae which hold annual rises below inflation. This price cap is set by a regulator independent of the government and reviewed at fixed intervals.

The system – and in particular the fixed-term reviews – is designed to free the utilities of political interference. When they were nationalised industries, their investment, pricing and employment strategies were decided by politicians and civil servants in Whitehall.

The price cap approach also encourages them to become more efficient: if they succeed in finding greater efficiency savings between reviews than the regulator anticipated, they are allowed to keep additional profits. It is in contrast to the US system of regulating the return that utilities are allowed make on their capital, which gives companies no incentive to cut costs.

The regulatory system has succeeded in bringing down some utility prices. In the case of British Telecom, the price of calls has dropped by an average 40 per cent since privatisation in 1984. Even Prof Littlechild's much-criticised review of electricity prices in August promised customers real annual reductions. It imposed one-off cuts of between 11 per cent and 17 per cent in distribution charges (which account for about a quarter of electricity bills), and limited future annual price increases to 2 per cent below the RPI.

Yet despite thousands of well-publicised job cuts in all utilities, many economists have questioned whether efficiency gains are as great as they could have been. Mr Dieter Helm, director of Oxera, a forecasting group, argues that gains in the electricity industry "should have been much greater", given the falls in the price of coal, gas, oil and uranium since privatisation.

One of the main problems for regulators is the difficulty of getting adequate information about companies' true costs when setting the price cap. At the time of price reviews, companies have every incentive to disguise the potential for efficiency gains. As Mr Helm puts it, "Littlechild doesn't have the information – the recs [regional electricity companies] have it. How could he have got the August review right?".

It appears to have taken the hostile bid for Northern Electric to flush out the true figures, with management finding more than £5 a share to fend it off.

Given these difficulties, a regulator who makes the wrong decision at a price review has the unenviable choice between interfering with a formula that was supposed to stand for five years, or waiting several years before reducing prices. Prof Littlechild, previously one of the loudest defenders of the sanctity of the reviews, now appears to have decided to correct the formula quickly.

However, the decision has been challenged by the electricity industry, utility shareholders and many economists. They argue that he should have resisted political pressure and supported the August review.

Prof Paul Grout, an economist at Bristol University, said yesterday: "a deal should be seen to be a deal".

Prof Grout says the intervention begins to tilt the UK system towards the US model, by skimming off profits deemed to be unacceptably high. As companies and financiers added yesterday, it also offends the notion that the price review is a contract with companies, on which they base long-term investment decisions.

The consequence, Prof Littlechild's critics say, is to undermine the credibility of the regulatory system. Companies have less reason to trust the regulator's word in future and thus less incentive to invest or improve efficiency.

Prof Mark Armstrong, an economist at Southampton university, argues that "he has moved the goal posts. Just because you can't quantify the benefits of maintaining credibility doesn't mean that they are not large." The threat to credibility may also affect other industries' regulatory regimes.

Rather than revisiting the August review, Prof Littlechild's critics argued yesterday for the virtues of patience while waiting for successive reviews to tighten the price cap. They suggest that the regulators have unfairly carried much of the blame for the failings of privatisation. Prof Armstrong argues that "the regulators were given a difficult hand of cards to start with".

In the case of water, the cost of complying with European environmental directives has been tens of billions of pounds. The regulator has had little alternative but to allow these extra costs to be passed through to the customer.

With electricity, the government's decision at privatisation to break the generation monopoly into only two large companies did little to stimulate competition. The regional electricity companies were also hugely overcapitalised for businesses with strong cashflow and could have supported large amounts of debt.

The regulators have tackled these structural problems with some success. Mr Byatt stirred up debate over whether European drinking water directives were too ambitious. He can take some credit for the review of the legislation now under way in Brussels. In gas, the regulator was tough enough to prompt British Gas to appeal to the Monopolies and Mergers Commission, which – to the company's surprise – recommended a radical restructuring of the industry to increase competition.

Electricity has, however, proved particularly resistant to attempts to introduce more competition. PowerGen and National Power, the generators, have yet to divest capacity to competitors, as agreed with Prof Littlechild a year ago.

However, several of Prof Littlechild's critics argue that the August review was not as tight as it might have been. One reason was that he was too optimistic about the emergence of competition which he hoped would supplant regulation.

Until yesterday, the charge against Prof Littlechild was that he had been too lenient. It is now that he has panicked under political pressure.

Despite the many shortcomings of the UK regulatory model, the regulators have managed to ratchet down the rate of increase in prices, albeit at a slower pace than public and political opinion would like. Prof Littlechild's action has threatened to undermine that process, and to return the system to its previous highly politicised state.

Why the IMF should indulge Russia

PERSONAL VIEW

The International Monetary Fund is facing a tough decision over whether to provide Russia with a new standby loan. There are two reasons for hesitating before agreeing to this. But I hope they will be outweighed by another reason for going ahead: the link between the finances of Russia and Ukraine.

The first reason for thinking twice about another loan is Russia's poor track record. Three times in the past three years it has concluded agreements with the IMF. Each time it has failed to keep its side of the bargain.

The most recent agreement came in April last year when Mr Victor Chernomyrdin, the Russian prime minister, surprisingly emerged as the guarantor of economic stabilisation. But he immediately let the money supply expand more rapidly than the IMF agreement allowed for.

Together Mr Chernomyrdin and Mr Victor Gerashchenko, former chairman of the Russian central bank, presided over "Black Tuesday" – 11 October 1994 – when the rouble fell 27 per cent in one day.

As a consequence of their horrendous mismanagement, Mr Boris Yeltsin, Russian president, at last sacked Mr Gerashchenko. Mr Yeltsin also replaced his senior economics ministers. A more serious economic team, headed by Mr Anatoly Chubais, first deputy prime minister, was installed.

Since then Mr Chernomyrdin has been obliged to make fresh attempts to stabilise the economy. In recent months, the money supply has been rising more slowly – it even fell 8 per cent in January.

A new budget with a deficit of 7.7 per cent of gross domestic product has been passed by the Russian parliament. But Russia is unlikely to be able to raise enough money to cover that gap on international and domestic markets without fuelling inflation. The budget deficit should be cut to about 5 per cent of GDP, as the IMF usually requires.

The appointment of the new economic team represents a substantial improvement. But Russia's international credibility is likely to remain low while Mr Chernomyrdin is prime minister. After all, it was his failure to control the money supply that led to the last IMF agreement breaking down.

The second argument against IMF financing for Russia is that it has not liberalised its energy exports, contrary to earlier promises. This week's announcement that Mr Yeltsin has signed decrees revoking the trading privileges enjoyed by many companies is a sign the government may be moving in the right direction. But it will need to be tested before it can be believed: the government has made false starts down the path to liberalisation before – notably last July when it announced the abolition of export quotas, only to backtrack the day they were due to disappear.

Ukraine has signed a deal with the IMF which takes effect only if it gets debt relief from Russia

If a true liberalisation of oil exports occurred, and domestic prices rose to world market levels, Russia could raise about 5 per cent of GDP in extra oil excise taxes.

At present, the Russian oil sector pays little tax. The only reason for the oil export controls is that corrupt traders buy oil at Russian prices and sell it abroad at high world market prices, pocketing the difference.

The situation in the gas industry is even more absurd. It is monopolised by Gazprom, Russia's biggest company. If the gas price were raised to the European level, and Gazprom were taxed as an ordinary company, it should pay about 7 per cent of GDP in tax revenues.

As the last Soviet gas minister, Mr Chernomyrdin created Gazprom. As Russian prime minister he has exempted Gazprom from virtually all taxes. With Gazprom's privatisation, Mr Chernomyrdin is widely believed to have become one of its biggest shareholders, but he refuses to reveal how many shares he owns.

If either the oil or gas industry were liberalised and properly taxed, Russia would have no problems with its budget deficit.

And with the country's official trade surplus amounting to $12bn last year, it should not need IMF funding for its balance of payments either.

Yet there is one reason why the IMF should be more lenient with Russia in spite of this: the linkage between its finances and Ukraine's.

Last Friday, Ukraine signed its own standby agreement with the IMF. However, this agreement can come into force only if Ukraine gets relief from Russia for $2.5bn of the $3.1bn it must pay this year to service its debts to its neighbour. The IMF should demand that Russia gives Ukraine that debt relief in return for its own financing.

If it resolves the interrelated financial problems of Russia and Ukraine in this way, the IMF will have achieved something of great importance.

Anders Aslund

The author is a senior associate at the Carnegie Endowment for International Peace in Washington

OBSERVER

BPB finds a Spangler

■ As BPB Industries squares up to a possible counter-offer in its $1.1bn bid for National Gypsum of the US, it must be feeling rather hampered by the shadowy nature of its opponent. Delcor, which set off the bidding for Gypsum last November, is a corporate front for CD (Clemmie Dixon) Spangler, one of the richest men in Gypsum's home state of North Carolina.

Spangler, 63, prefers to be known by the benign title of president of the University of North Carolina. But he made his $700m fortune as a property man and banker, and is anything but a southern hill billy.

In 1982 he sold Bancshares of North Carolina, of which he was president, to another North Carolina bank, NCNB. In 1990 he bought over $100m of NCNB's stock, making a killing when in 1992 it merged to form NationsBank Corp, one of the biggest banks in the US. His holding in NationsBank is now worth over $400m, and his wife is on the board. NationsBank is backing his bid for Gypsum.

BPB's biggest headache will be to decide whether Spangler seriously intends to bid for Gypsum, or simply aims to up the price for his stake, which even at BPB's opening offer is worth over $200m. Mounting a bid north of $1bn would be unlikely to faze him. He is, after all, on the board of BellSouth, the local telephone company, which has a market value of around $25bn.

More to the point, he has been here before, and on a bigger scale. Back in 1987, as readers of *Barbarians at the Gate* may recall, he teamed up with Citibank and a former chairman of RJR Nabisco to propose a buyout of RJR – thus setting the scene for the biggest takeover in history. Spangler was, of course, a big RJR shareholder; and when KKR paid $26bn for the company, he made another killing.

Photo fits

■ No newspaper caught an early whiff that Barings was going bust. So meet the man who in a sense scooped the world on the story, Kevin Phillips, a London-based freelance photographer who runs his own picture library.

He was on holiday in Singapore a year ago, and decided to squeeze in a little work for regular client Futures & Options World magazine, which was looking for pictures of local derivatives bigwigs. That was how he came to capture on film Nick Leeson and his stripy Barings jacket, a picture since beamed and printed across the globe.

At £1,000 for every first use of the picture, Phillips has of course coined in the past week as much as he normally earns in a whole year's worth of freelance snapping – even if he has had to suffer almost no name credits.

He has just trawled through the file from the trip again and found a shot of a gaggle of Barings traders in Simex's pits. Not one for Peter Baring's study, perhaps.

High flyers

■ The Disneyesque corporate headquarters of the fugitive German property magnate Jürgen Schneider – a giant late 19th century castle-like edifice in the Taunus Hills outside Frankfurt – yesterday failed to sell at auction.

Valued at Schneider's own request at the end of 1993 at DM37.5m, Villa Andréae was reckoned by the administrators to be worth DM15m. A travel company, who wants to use it as offices, was only willing to pay DM9.5m – the gold-tinted lily-festooned perimeter fencing notwithstanding. Just one creditor bank was holding out for another DM1m. For why? Maybe the institution was just suspicious of a bidder called Ikarus.

Jumping ship

■ In their jostling for position in the US securities markets, the UK clearers have resorted to poaching each others' staff. Jim O'Donnell, the ambitious head of NatWest's US securities business, has defected to HSBC.

There may be more to it. O'Donnell, a former Drexel Burnham Lambert equity salesman who had been with NatWest since 1990, has maintained in the past that NatWest would build up a bigger US securities business, rather than buy one. But just a week ago, Martin Owen, head of NatWest Markets – and O'Donnell's ultimate boss – said the bank was now thinking of buying a US broker. Wall Street guesses it has been eyeing Oppenheimer – as, apparently, has ING, Baring's saviour.

NatWest cannot be happy to have lost O'Donnell, whose drive had helped it build one of the strongest foreign-owned equity operations on Wall Street. Meantime, with Barclays also showing an interest in buying a US broker, the jostling is likely to get more intense. After previous lacklustre efforts, maybe the next "Invasion of the Brits" on Wall Street will prove a bit more lasting.

Borne out

■ How different was the world when Geoffrey Barker of Baring Securities Tokyo brought out his shiny blue equity research document entitled "What's in store for 1995", with an article flagged "Having your cake and eating it". As it happens, he, and 10 colleagues, become the first from the collapsed merchant bank to find new employers. Barker has been scooped up by Smith New Court, where his forecasting abilities are obviously much prized.

The Financial Times

100 years ago

Insurance notes

Now that the thaw has come to stay, we get time to reflect on the disasters of the frost as operative in our water-pipes, and one of the first reflections is, "Why does not some Company insure against such risks?" We have a vague recollection that one Company did something of the kind some years ago; but, if so, it does good with so much stealth that fame never reaches it. There is no inherent reason why a venture of the kind should not pay, and pay well.

50 years ago

World economic security

Appearing as the first witness on Bretton Woods monetary legislation at the opening hearings of the Banking and Currency Committee of the House of Representatives, the Secretary of the Treasury, Mr Morgenthau, declared: "In the post-war world there will be many demands for reconstruction and new development which will not offer an attractive return to private finance, or perhaps they will seem too risky to a private financier. These loans the proposed International Bank would be prepared to make itself at low rates of interest."

FINANCIAL TIMES
Wednesday March 8 1995

UK power regulator set to review price controls

By Michael Smith, Kevin Brown and Peggy Hollinger in London

Britain's privatised electricity industry was in turmoil last night after Professor Stephen Littlechild, the power regulator, said he was reviewing controversial price controls announced just seven months ago.

Institutional investors were furious that Prof Littlechild's statement, which pushed electricity company shares sharply down, had come just one day after the government sold its 40 per cent stakes in the two English and Welsh electricity generators, National Power and PowerGen.

The price controls do not directly affect the generators, but their shares are affected by sentiment in the industry generally.

One large pension fund which took shares in the generator issue said Professor Littlechild's statement "defies belief".

One institution said the Government had come "dangerously close to insider dealing".

Consumer groups welcomed the announcement, which seems certain to bring further falls in electricity prices from April 1996.

Northern Electric, the privatised UK electricity supply company, yesterday signalled an end to its battle for independence against the £1.23bn bid from engineering group Trafalgar House and urged shareholders to accept the £11 a share cash offer writes Peggy Hollinger in London.

The company said it could not guarantee that it could still offer the package under a tougher pricing regime being considered by the electricity industry regulator Professor Stephen Littlechild.

The regional electricity companies' market value fell by more than £2.7bn, or 17 per cent. Partly paid shares in National Power fell 10p to 176.5p and in Powergen by 9p to 189.5p, more than wiping out any premiums the shares made in the first day of trading.

Amid a growing political row at Westminster, Labour claimed that ministers had "conned" investors by failing to reveal that the review was imminent.

Barclays de Zoete Wedd and Kleinwort Benson, advising the Treasury, said the government was aware that the regulator was considering the regional electricity companies' price controls last week, but concluded that the possibility of reopening the price controls was not material to the generators

In the Commons, Mr John Major, the prime minister, dismissed claims by Mr Tony Blair, the Labour leader, that Offer's decision justified a general review of utility pricing regimes to guard against "abuses" in the gas and water industries.

Prof Littlechild's decision to reconsider price controls for the four years from April 1996 follows widespread criticsm of his original proposals made last August.

In these the regulator agreed with the companies that they should cut their distribution prices, which represent a quarter of final power bills, by between 11 and 17 per cent from next month and that in the following four years price rises would be restricted to inflation minus 2 per cent each year.

UK may try to extradite Barings trader

By Jimmy Burns and John Gapper in London

The Serious Fraud Office has begun to gather evidence to back a request for the extradition from Germany to the UK of Mr Nick Leeson, the financial trader who allegedly caused the collapse of Barings, the UK investment banking group.

To succeed, the SFO must demonstrate either that Mr Leeson set out to defraud Barings in London, or that bank executives in London were involved in a fraud. Barings collapsed last week after losing £860m in derivatives trading.

It emerged that the SFO decision to involve itself in the Barings case followed several days of consultation between Bank of England officials, senior Barings executives, and the heads of the SFO and the City of London police.

The perception that there may be a criminal case to answer in the UK grew within these groups after it emerged that Mr Leeson had allegedly built up losses of £50m by the end of 1994 in a hidden trading account numbered 88888.

The three businesses of Barings, which have been bought by the Dutch Bank Internationale Nederlanden Group, were yesterday preparing to restart operations.

The Barings plc holding company is expected to be placed in liquidation.

Barings group board members have waived their 1994 bonuses. Some executives are thought to be waiting the outcome of the Bank of England inquiry into the collapse before deciding whether to resign from Barings operations.

Mr Aad Jacobs, chairman of ING Group, said on Monday that all Barings executives would be offered jobs in the investment banking arm of ING. However, any senior executives criticised in the inquiry would be unlikely to remain with ING.

Prosecutors in Frankfurt, where Mr Leeson is being detained, said yesterday that he was accused by authorities in Singapore of forging documents which showed a Y7.7bn payment to his trading unit made by a US investment firm.

Documents obtained by the Financial Times show that Barings directors believe that Mr Leeson had accumulated losses of this amount in a hidden trading account by the end of last year, which were "camouflaged as a receivable".

The Singapore extradition document alleges that forged papers were handed on Mr Leeson's instructions "to the auditors Coopers & Lybrand on February 3 for the purpose of obtaining provisional audit clearance of Barings Futures' financial statement" for the 1994 year.

IG Metall strike

Continued from Page 1

for a 6 per cent increase, talks are due to start today.

IG Metall is to poll its members on the deal at the end of the week. A union official said: "We think that we can take this deal to our membership because all the employers' demands for offsetting measures [to make up for cuts in working hours] and the postponement of the 35 hour week have been swept away."

Mr Hans-Joachim Gottschol, chairman of the Gesamtmetall engineering employers' association, said the 2-year deal provided extra "planning stability" for engineering companies. Employers' representatives admitted, however, that Gesamtmetall had been forced into a last minute deal to avert a damaging escalation of the strike.

They were unable to say how many more jobs might have to go in an industry which is only just emerging from Germany's worst postwar recession, but reducing personnel would be an obvious consideration.

"The reaction at many companies – which have had a hard time in recent years – will be, 'What can I do to reduce my costs further?'," one employers' representative said.

Greece protests at 'insult' by Turkey

By Caroline Southey in Brussels and Kerin Hope in Athens

Greece called yesterday for an emergency meeting of European Union foreign ministers and suggested that a new customs accord with Turkey should be shelved.

The move follows what a Greek minister described as "brutal insults" by a Turkish minister after the historic customs accord, reached on Monday night, which included a timetable for Cyprus's entry to the EU around the turn of the century.

The Greek protest was provoked by a speech by Mr Murat Karayalcin, the Turkish foreign minister, at a meeting convened to approve the accords. The ill-feeling continued at an official dinner the same evening to celebrate the agreement.

Mr Karayalcin told the meeting that Turkey considered the EU council's decision on Cyprus's membership an "unfortunate step" which could lead to the permanent division of the island.

He argued that if accession negotiations were held with the Greek Cypriot side of the island, Turkey "would be left with no option but to take steps towards achieving a similar integration with the Turkish Republic and northern Cyprus".

Mr Georges-Alexandre Mangakis, the Greek minister for European Affairs, said in a letter yesterday to Mr Alain Juppé, the French foreign minister, that Greece considered the accords "suspended". Mr Mangakis called on France, which currently holds the six-month presidency of the EU, to demand a clarification from Turkey on its position towards the accession of Cyprus.

In response, Mr Juppé said the agreement between the EU and Turkey was "definitive." But he said the presidency regretted the Turkish minister's statement.

The row has led to further complications over the election of a new Greek president. The parliament is poised to elect Mr Costis Stefanopoulos, a conservative politician, as new head of state in today's third and final vote.

Mr Stefanopoulos is backed by the governing Panhellenic Socialist Movement (Pasok) and the nationalist Political Spring party. But the government is worried some Pasok deputies, angered by the Turkish deal, may try to bring down the government by abstaining from the vote.

Italian banks vie for control of Stet

Continued from Page 1

idea of selecting a hard core of shareholders to buy state-owned holdings, instead of relying on public offers of shares made against a background of market uncertainty.

However, international investment banks, which are also bidding for the chance to handle the Stet sale, expressed concern yesterday that selling the stake in one block would give the buying consortium the chance to take important decisions on the pricing and timing of the share placing in their own interests.

IRI sent out 26 invitations to apply for the job of global co-ordinator in the Stet sale. Eight went to Italian banks and the rest to foreign institutions. Applications closed on Monday.

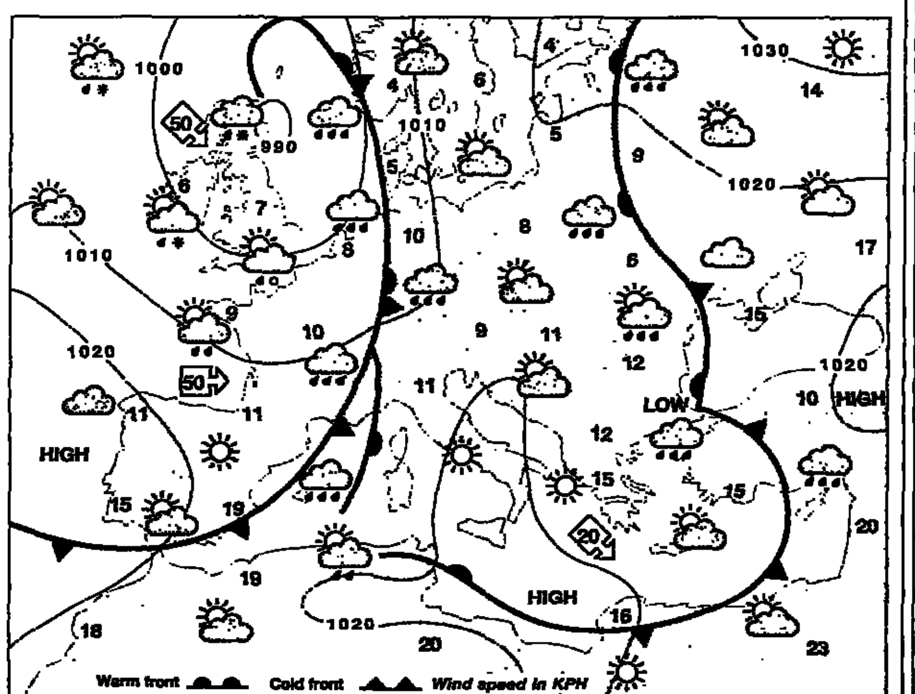
FT WEATHER GUIDE

Europe today

A north-westerly airflow will bring cold and unstable air to the UK and western France. Sunny spells will be interspersed with wintry showers, sometimes accompanied by thunder, while temperatures will vary between 3C and 9C. The Benelux will become showery after some morning rain. A frontal system associated with the low will bring outbreaks of rain to western Germany, eastern France and southern Scandinavia. South-eastern France and southern Scandinavia in particular will have a lot of rain, as will northern Italy later in the day. Spain and Portugal are expected to remain dry with sunny periods. Central and southern Italy as well as Greece will have plenty of sun with temperatures around 15C. Turkey and the northern Balkan states will continue rather cloudy with some rain or showers.

Five-day forecast

High pressure will build across central Europe towards southern Scandinavia during the weekend. As a result, central and northern Europe will become sunnier and milder while Spain and Portugal will become unsettled, particularly during the weekend. Most of Italy will become drier and warmer as showers move away towards the eastern Mediterranean.



Situation at 12 GMT. Temperatures maximum for day. Forecasts by Meteo Consult of the Netherlands

TODAY'S TEMPERATURES

	Maximum Celsius	
Abu Dhabi	fair	26
Accra	fair	35
Algiers	fair	19
Amsterdam	shower	8
Athens	sun	16
Atlanta	rain	16
B. Aires	fair	23
B.ham	fair	6
Bangkok	fair	35
Barcelona	fair	15

Beijing	sun	13
Belfast	hail	5
Belgrade	fair	9
Berlin	fair	10
Bermuda	fair	22
Bogota	fair	20
Bombay	fair	32
Brussels	fair	8
Budapest	fair	11
C.hagen	cloudy	7
Cairo	sun	24
Cape Town	sun	23

Caracas	sun	28
Cardiff	hail	7
Casablanca	fair	17
Chicago	fair	-2
Cologne	cloudy	8
Dakar	sun	24
Dallas	fair	12
Delhi	sun	25
Dubai	sun	25
Dublin	fair	6
Dubrovnik	fair	13
Edinburgh	sleet	4

Faro	sun	17
Frankfurt	shower	7
Geneva	rain	7
Gibraltar	fair	19
Glasgow	hail	4
Hamburg	rain	8
Helsinki	fair	3
Hong Kong	cloudy	21
Honolulu	fair	26
Istanbul	shower	14
Jakarta	shower	31
Jersey	hail	8
Karachi	sun	28
Kuwait	sun	26
L. Angeles	fair	21
Las Palmas	fair	20
Lima	fair	28
Lisbon	fair	14
London	hail	8
Lux.bourg	rain	5
Lyon	rain	8
Madeira	fair	17

Madrid	sun	12
Majorca	fair	16
Malta	sun	16
Manchester	hail	6
Manila	fair	32
Melbourne	shower	22
Mexico City	fair	25
Miami	fair	29
Milan	rain	10
Montreal	snow	2
Moscow	cloudy	7
Munich	fair	5
Nairobi	thund	28
Naples	sun	14
Nassau	fair	28
New York	shower	15
Nice	thund	10
Nicosia	fair	19
Oslo	rain	5
Paris	shower	9
Perth	sun	27
Prague	fair	6

Rangoon	sun	33
Reykjavik	fair	0
Rio	shower	30
Rome	sun	14
S. Frsco	rain	16
Seoul	sun	12
Singapore	cloudy	32
Stockholm	fair	6
Strasbourg	rain	8
Sydney	shower	25
Tangier	fair	17
Tel Aviv	fair	23
Tokyo	fair	12
Toronto	snow	2
Vancouver	rain	12
Venice	fair	10
Vienna	fair	7
Warsaw	fair	8
Washington	rain	17
Wellington	sun	19
Winnipeg	fair	-10
Zurich	rain	6

THE LEX COLUMN

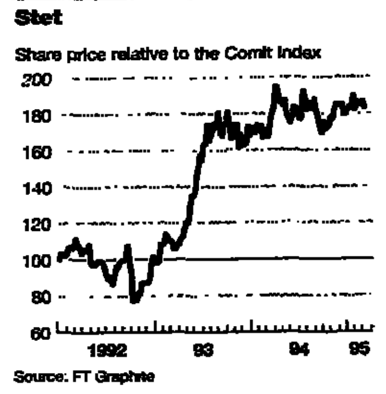
Mediobanca's network

Mediobanca's plan to buy the Italian government's stake in Stet, the telecoms giant, should ring alarm bells. The power-hungry Milanese bank already controls large swathes of the Italian economy through a network of shareholdings. Controlling Stet would expand this power base. One concern is that selling Stet without first establishing a tough regulatory regime would convert a public-sector monopoly into a private-sector one. Another is that Mediobanca would use its control of Stet to ensure that other members of its "galaxy" of allies won attractive contracts with the telecoms group.

Moreover, it is doubtful whether Mediobanca and its allies will pay full value for the government's stake. Since they would be taking control, they should theoretically pay a handsome control premium: but there is no sign that this is part of their proposal. Stet's existing non-government shareholders should also be suspicious. After Mediobanca extended its influence over Credito Italiano last year, the bank launched a rights issue and an expensive takeover bid – both of which knocked its share price.

It is a measure of Italy's financial plight that the proposal has even a chance of being accepted. But if Mr Lamberto Dini, the prime minister, really thinks the L11,000bn ($6.6bn) Italy might receive for its Stet stake would plug the hole in its public finances, he is deluding himself. The sum is less than the extra financing costs Italy would face if interest rates rose 1 percentage point.

FT-SE Eurotrack 200: 1337.9 (-7.1)



German wages

The wage settlement in the German engineering sector is doubly disappointing. First, however the complex pay increase is calculated, it is higher than expected. Second, employers have caved in to unions' demands without extracting any concessions – on greater working flexibility or the timing of the previously agreed move to a shorter working week – in return.

The only positive aspect of the settlement is that it covers 1996 as well, so the ritualised agonies of negotiations and strikes will be avoided this time next year. However, the overall impact of the two-step increase in nominal wages, combined with the various one-off payments and a shorter working week from October, is an increase of approximately 5.5 per cent in unit wage costs this year, and slightly less than that in 1996 as well.

Some of the effect will be offset by productivity gains, but not much – the period of large productivity improvements in German industry is coming to an end. Given the strength of the D-Mark, companies will seek to pass on the costs to domestic rather than export customers.

The inflationary implications of the settlement for this year are dampened by the fact that tax increases will eat up much of the wage gain. But companies' price increases alone will create inflationary pressures to which the Bundesbank will feel compelled to respond. The settlement means the Bundesbank is likely to raise short-term interest rates sooner rather than later.

Glaxo Wellcome

The Wellcome Trust, 39 per cent owner of Wellcome, had three objectives when disposing of its stake. The charity wanted to reduce the risk of concentrating so much of its investments in one company; it wanted to increase its capital; and it wanted to raise its income – Wellcome's yield was significantly below the market average.

All those aims are achieved. But the question remains whether a higher price was possible. Apparently, at least one company, probably Zeneca, was willing to make a counter-bid. But the group, unwilling to enter a full bidding war, wanted an undertaking the trust would not accept a still higher offer from Glaxo. This offer would have provided the trust with a higher bid than Glaxo's, but would have frustrated an even higher bid from Glaxo or another party. The trust refused to make such an undertaking even though its duty was to encourage the best price possible. Its legal advice was that the court would not allow the trust to give such an irrevocable undertaking, even if in refraining it would receive a lower price. That would suggest that, in a contested bid, trust law can act against the interests of beneficiaries.

UK electricity

The electricity regulator's U-turn on price controls amounts to an admission that last August's lax regime was a serious misjudgment. His volte-face, coinciding with the final stages of the first bid for a regional electricity company and the sale of National Power and PowerGen shares, has shattered confidence in the regulatory system. Prof Stephen Littlechild should resign.

The regulator's excuse that new information has emerged since last August is weak. Rising share prices and Northern Electric's ability to offer investors generous financial goodies in its defence against Trafalgar House's bid result from his favourable price review. Trafalgar's offer, which looked tight last week, now appears generous – but Trafalgar has the option to pull out. Conspiracy theorists take the view that Prof Littlechild, who wanted a referral to the Monopolies and Mergers Commission, has found a way of scuppering this offer and discouraging other potential bidders. But the whole affair smacks more of ineptitude than conspiracy.

Even if the regulator limits price increases to four percentage points below inflation, rather than the previously planned two, the regional electricity companies can afford it. But their ability to increase dividends and buy back shares will be reduced. A long period of uncertainty will also scupper, at least for the time being, the flotation of the National Grid.

The regulator is not the only target of complaints. Investors in the Treasury's £4bn offer of generating company shares, which started trading on Monday, are furious that what they consider price-sensitive information was not contained in the prospectus. The Treasury's view that it was not material is contradicted by the 5 per cent drop in their share prices yesterday. It should consider compensating investors by cutting the price of the next instalment.

See additional comment on Barclays and De la Rue, Page 25

FINANCIAL TIMES
COMPANIES & MARKETS
Wednesday March 8 1995

IN BRIEF

De Beers shines with dividend

De Beers, the South African mining group which dominates the world diamond industry, has maintained its dividend at 84.4 cents a share, in spite of significant illicit diamond sales by Russian producers. Page 24

RTZ strikes gold with Freeport McMoRan
RTZ, the world's biggest mining company, is to pay between $450m and $875m for a substantial interest in Freeport-McMoRan Copper & Gold, a US company that owns 86 per cent of a huge copper and gold deposit in Indonesia. Page 23

GM's European vehicle operation up 43%
General Motors, the US company, increased the net profits of its core European car and light commercial vehicle operations by 43 per cent last year to $858m from $598m a year earlier. Page 22

Italian banks vie for state's Stet stake
Italy's largest banks are competing to buy the Italian state's majority stake in Stet, the telecoms holding company due for privatisation. Page 20

Heinz bounces back with 8% rise
H. J. Heinz, the US food group, made a partial recovery from last year's badly depressed third quarter by reporting an 8 per cent increase in net profits to $138.3m for the period to January. Page 23

De La Rue drops 14% on profits warning
Shares in De La Rue tumbled 14 per cent after the UK security banknote printer warned of a "further deterioration in profitability" at its German subsidiary. Page 25

Kalon poised for merger with Total arm
Kalon, the UK decorative paints group, has launched plans to merge with the paints subsidiary of Total, the French oil group. The new company would have annual turnover of at least £520m ($852.8m). Page 25

ICL to enter home PC market
ICL, the UK-based computing company, is to enter the fast-growing European market for home personal computers with a range of multimedia machines. Page 25

Fisons loss prompts sale of division
Fisons, the UK mini conglomerate, reported a pre-tax loss of £463.7m ($760.46m) for 1994 and said it would sell its laboratory supplies division and focus solely on pharmaceuticals. Page 25

Rentokil posts 12th big rise
Rentokil, the UK environmental and property services group, announced pre-tax profits had increased by more than 20 per cent for the 12th year in a row. Page 25

T&N boosts efforts to win German group
T&N, the UK motor components and engineering group, has stepped up its campaign to win control of Kolbenschmidt, one of Germany's leading piston manufacturers, by submitting a revised bid to the country's takeover authorities. Page 25

Companies in this issue

Market Statistics

Chief price changes yesterday

FRANKFURT (DM)			
Rises			
Bacontinal	208.5	+	5.5
Falls			
Asko Prf	570	−	10
BMW	735	−	14
Degussa	450	−	13
GEHE	555	−	17.5
Springer Axel	688	−	17
NEW YORK ($)			
Falls			
Atlanta Neuro	6⅝	−	1¾
CSX	74	−	1¾
Georgia-Pacific	71⅞	−	1¾
Intel	80¾	−	1⅞
Texas Insts	86½	−	2
Walt Disney	54¾	−	1⅝
LONDON (Pence)			
Rises			
Kalon	130½†	+	33½
Falls			
De La Rue	889	−	143
Eastern Group	595	−	103
Northern Elec	897	−	158
Southern Elec	603	−	122
Trafalgar House	58½	−	4½
TORONTO (C$)			
Rises			
Barrick Gold	32	+	1⅜
Placer Dome	29¾	+	1⅛
Spectral Diag	30¼	+	1⅝
Falls			
Dotman Inds	10⅞	−	1¼
Fairfax Fin	87½	−	1
GSW	16⅛	−	¾
PARIS (FFr)			
Rises			
Immobanque	855	+	18
Falls			
Bouygues	517	−	12
Ecco	802	−	10
Geophysique	282.1	−	24.9
Peugeot	657	−	17
St. Gobain	596	−	14
TOKYO (Yen)			
Rises			
Sumitomo Corp	762	+	11
Falls			
Hitachi	885	−	9
Matsushita Elec	1400	−	30
Sony	4360	−	30
Toshiba	606	−	9
Tokyo Gas	357	−	7
HONG KONG (HK$)			
Rises			
Hutchison	31.8	+	0.7
New World Dev	20.45	+	0.6
Swire Pac A	52.75	+	1.2
Falls			
Dah Sing Fin	13.8	−	0.5
HSBC	79.5	−	1
Television B'd	27.8	−	0.5
BANGKOK (Baht)			
Rises			
Asian Sea Food	105	+	9.5
Dhana Siam	220	+	8
Tisco	958	+	8
Falls			
Alphatec Elec	404	−	8
Lanna Lignite	187	−	7
Muramoto Elec	117	−	12

† Price at suspension. New York & Toronto prices at 12.30.

Dutch food group chief quits after flat results

By Ronald van de Krol in Amsterdam

The chairman of the management board at BolsWessanen, the Dutch food and drinks group, resigned yesterday after taking the blame for disappointing 1994 results and the sharp decline in the company's shares last week.

Mr Rob Schipper, the former deputy chairman who had only been in the top job for 11 months, "accepts the responsibility for the disappointing results of the company", said BolsWessanen.

The supervisory board accepted Mr Schipper's resignation "with regret" and appointed Mr Mac Zondervan, a member of the three-man management board, in his place. The company said the resignation came at Mr Schipper's request.

Last week, Mr Schipper attributed BolsWessanen's lacklustre performance largely to setbacks in Italy, one of its main drinks markets, including the fall in the lira. For 1995, he warned that the company will need to set money aside to pay for a reorganisation in Italy, where it merged its own operations with those of Davide Campari in return for a 35 per cent stake in the Italian drinks company.

In 1994, net profits before extraordinaries were flat at Fl 254.1m ($163.8m) against Fl 250.6m in 1993.

Top management resignations over poor results are unusual in the Netherlands, where shareholders have relatively little influence over appointments or policy.

However, last week the shares plummeted nearly 14 per cent to a 12-month low of Fl27.10 after BolsWessanen released its 1994 figures and warned that 1995 earnings per share might fall 10 to 15 per cent.

BolsWessanen, created out of the 1993 merger between Bols, the drinks group, and food company Wessanen, has frequently met market scepticism about the industrial logic of the tie-up because of the lack of synergies between the two businesses.

Mr Schipper, the former chairman of Bols, defended the merger last week, citing the group's enhanced ability to make large acquisitions. In 1994 it acquired the UK and French breakfast cereal businesses of Harrisons & Crosfield, the UK conglomerate, making it European market leader in private-label breakfast cereals.

■ Profits from UK banking services double ■ Bad debt provisions fall

Barclays bounds ahead to £1.86bn

By Alison Smith in London

Barclays, the UK bank, yesterday reported a near tripling of pre-tax profits to £1.86bn ($3.05bn) in 1994 from £661m after a drop in provisions for bad and doubtful debts, particularly in the UK and the US, more than made up for a dip in operating income.

Mr Martin Taylor, chief executive, said there was an underlying fall in operating income of about 2 per cent, although weak loan demand in the UK and the disposal of some businesses had also held the bank back.

Assets fell slightly to £162.4bn, following the disposal of 15 businesses during the year. Barclays is still the UK's biggest bank, but National Westminster, the second largest, is closing the gap. NatWest's total assets grew last year to £158bn.

Barclays has already disposed of its US asset-backed finance operation this year and expects to dispose of its US mortgage business within the next few months. Mr Taylor said there would be parts of the business where assets might fall over the coming year but doubted that there would be a large reduction this year.

Mr Taylor said the group was actively managing its credit risk, and the decision not to take part in certain areas of lending was behind the £9bn drop in weighted risk assets to £93.2bn. The credit-risk management work was also behind the extra £74m general provision the group made last year.

UK banking services, principally the UK bank and Barclaycard, contributed £1.2bn of pre-tax profits – more than double the 1993 figure. UK banking staff will receive a profit-sharing bonus of 7.5 per cent of salary. Mr Taylor said complaints among staff were about promotion prospects rather than pay, and said that the total cost of the board fell 18 per cent last year.

At BZW, the investment banking arm, dealing profits and net interest income fell by just over 35 per cent. Mr Taylor said the business had been run on a very low risk basis "which prevents you making profits".

Last year, BZW began a strategic review of its business in the US, where executives believe it needs to strengthen its presence. Mr Taylor sounded cool on the prospect of buying an investment bank there, saying that the track record of those who had done so was "simply awful".

Pre-tax profit from Barclays Financial Services was down to £123m against £213m in 1993, partly because Barclays Life was affected by the costs of re-training its sales force following a censure by City regulators. It has made £58m provisions over 1993 and 1994 in respect of possible compensation payments to people who were badly advised on personal pensions.

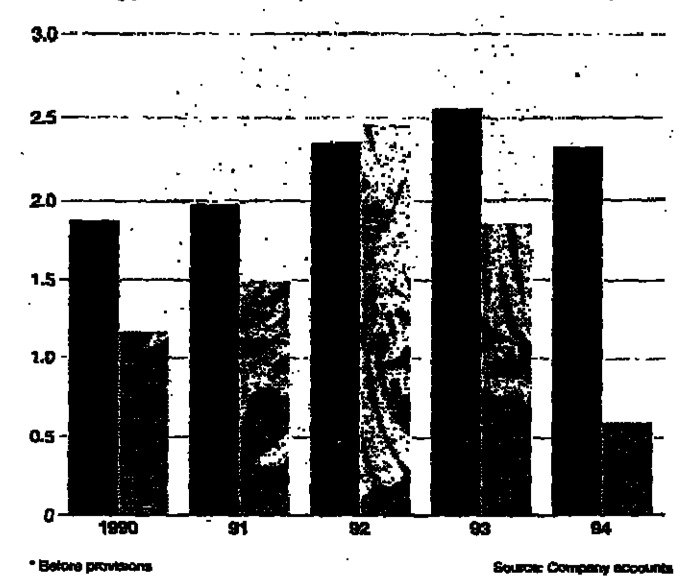
Barclays' other European commercial banking operations made a pre-tax loss of £110m. Describing the French operation as unsatisfactory, Mr Taylor said that its restructuring this year would have an impact on the profit and loss account for 1995.

Earnings per share rose to 72.4p, against 19.2p, while the full-year dividend rose 39 per cent to 21p. Its shares fell 23.5p to close at 582.5p.

Lex, Page 16; Observer, Page 15

Behind the headlines

Operating profits* and provisions for bad debts (£bn)



* Before provisions
Source: Company accounts

Warburg urged to seek a partner

Fund management arm MAM wants parent to merge to end uncertainty

By Norma Cohen in London

S.G. Warburg has been told by directors of Mercury Asset Management, its 75 per cent owned fund management subsidiary, that they believe the UK investment bank should seek a merger with a larger partner.

At a meeting two weeks ago between MAM executive directors and a Warburg team headed by executive chairman Sir David Scholey, Sir David was told that "What we want is a parent who is strong and financially solid. And Warburg isn't that any more", according to one director who attended the meeting.

Sir David "just listened", the executive said. While MAM officials believe a US acquirer would offer better growth opportunities, MAM clients are believed likely to prefer a European partner.

MAM officials believe the company has gained significant benefits from its relationship with Warburg. They are concerned, however, that constant speculation over Warburg's future weakens MAM's ability to compete effectively for new business.

Analysts expect MAM to have accounted for almost all of Warburg's profits in the year to March 31. MAM has also just completed an internal reorganisation which investment consultants say could revitalise its institutional business.

The Warburg team appointed by Sir David last month is charged with identifying the strategy which the investment bank will follow after the collapse last year of its proposed merger with US-based investment bank Morgan Stanley.

The talks broke down when MAM officials could not be persuaded to agree to terms which had been broadly acceptable to Warburg and Morgan Stanley. Since then, there has been tension between MAM and Warburg, and MAM executives have privately made little secret of their desire to seek greater independence.

MAM officials also said the collapse of Barings and the implications for that group's fund management clients is causing them to rethink their relationship with Warburg. Barings Asset Management's custodial clients had more than £600m ($984m) in deposits in Barings Bank when it collapsed.

MAM acts as custodian for almost all its clients' assets and a significant portion of client cash is deposited in Warburg Bank. MAM is considering whether it will be forced to diversify client cash deposits into other banks.

Officials said that after the collapse of the Morgan Stanley deal, approaches about greater independence made to Lord Cairns, the former Warburg chief executive who resigned last month, were not rebuffed. The preferred option had been for Warburg to sell its stake in MAM to just under 50 per cent, preferably to a single investor. MAM hoped the stake could be sold to an investor which would give it access to a key US or continental market.

● Warburg yesterday announced significant cuts in its worldwide derivatives and options activities in the first move by its new executive team to reshape the business. The bank announced 90 redundancies in London, Chicago and Tokyo. They affect all aspects of the debt and equity options and derivatives businesses.

The firm said it would continue to offer all the derivatives and options products it had up until now. The cuts follow some 180 redundancies when Warburg withdrew from foreign currency government bonds and non-sterling Eurobond markets late last year.

Wellcome accepts Glaxo's $15bn bid

By David Wighton in London

Wellcome yesterday recommended its shareholders accept the £9bn ($14.8bn) takeover bid by Glaxo, which will create the world's biggest drugs group, after the company failed to attract a higher offer.

Wellcome revealed that a rival offer would have been made if the Wellcome Trust, owner of 39.5 per cent of its shares, had agreed to accept it irrevocably.

It is thought that Zeneca, the drugs group demerged from Imperial Chemical Industries, was prepared to offer about £10bn if it could be sure that Glaxo would not be able to top its bid. Last week Wellcome asked the Trust to apply to the High Court in London for guidance on how it could provide such assurances to a counter-bidder. The Trust refused. Mr John Robb, chairman and chief executive of Wellcome, said: "I have nothing but admiration for Glaxo... but I can't say the same for our major shareholder. To have sold its interest in the company without talking to the management is something many, many employees will never forgive the Trust for."

Faced with the Trust's decision, Wellcome recognised that its days as an independent company were numbered but decided to solicit higher offers. It gave detailed presentations to five potential counter-bidders and received "serious expressions of interest" from two. One, thought to be Roche of Switzerland, pulled out last Sunday after considering an £11bn offer. The other, understood to be Zeneca, would only proceed given "sufficient certainty of success".

It is thought Zeneca had lined up bank facilities of £5bn for its bid which would also have involved a £1bn rights issue. Its share price rose 14p to 878p yesterday while Glaxo's rose 19p to 667p and Wellcome's fell 9p to £10.27. The takeover, which will be the most valuable yet seen in Europe, is expected to result in the loss of more than 15,000 jobs to reduce costs by more than £500m a year.

The expenses of the bid are expected to hit a record of about £100m. Glaxo, advised by Lazard Brothers, has estimated its expenses at £77m, of which £30m consists of fees and the remainder in stamp duty. Wellcome, advised by Barings and Morgan Stanley, is expected to face a bill of between £20m and £30m.

Lex, Page 16

Barry Riley

The dog that didn't bark in the bullion vaults

Occasionally I still come across investment newsletters where ancient (indeed, apparently immortal) pundits continue to extol the virtues of gold. And yesterday the gold bullion price flickered sleepily into action, rising four dollars in the London afternoon fixing from Monday's $378 or so.

Yet the real message from the gold market during the current foreign exchange crisis has been that the yellow metal has finally been consigned to the sidelines. The flight to quality and value by global investors has not included a flight to gold. Why buy useless slabs of metal when you can convert your money into D-Marks and yen?

Apart from the brief bubble engineered two years ago by Mr George Soros and Sir James Goldsmith, the bullion market has lain almost dormant, trading last year, for instance, in a price range of only $370-$395 an ounce.

The extraordinary thing is that the gold price has not even gone up in terms of the weak dollar. Seen meantime from the strong currency countries gold has been a disaster.

Since the beginning of 1994 the bullion price has fallen 17 per cent in terms of the yen, and by 20 per cent in D-Marks and Swiss francs. Swiss bankers were the sort of people who used to advise their clients to hold a significant part of their assets in bullion, so the fall from favour of gold is perhaps not surprising. And since the price peaked at more than $800 in early 1980 the long-term price action has been quite calamitous – a drop of 82 per cent in yen terms, for instance.

The narrow price range over the past year reflects a stalemate between powerful opposing forces. On the one hand the producers – who are still quite profitable at an average production cost of about $250 an ounce – are consistently increasing their output and are ready to sell forward in large quantities when the price rises. On the other, a large quantity of gold is held in developing countries in the form of 22-23 carat jewellery, mainly as an investment, and tends to come back on to the market when prices are high.

> Essentially, gold has been demonetised and has simply become a commodity

Western central banks have tended to be sellers too, although more was unloaded in 1992 and 1993 than last year.

According to the World Gold Council, identified gold demand in 1994 was fairly steady at 2,443 tonnes and was slightly in excess of the 2,304 tonnes dug out by the world's gold mines. Overt investment demand in gold coins and the like has generally been weak – down 40 per cent in the US, for instance, against a 25 per cent rise in sales of dental gold. Jewellery sales have been good, although in many countries the difference between jewellery and investment demand is imprecise.

Essentially, gold has been demonetised and has simply become a commodity. Some reasons for this have been set out in a memorandum by Mr Ted Arnold of Merrill Lynch in London. In the 1970s, he argues, gold was seen as a store of value by people fleeing from exchange controls and inflation. But now the controls on currency movements have been abolished, at least in the OECD area, and highly active financial futures markets have sprung up to enable investors to trade in risks to their hearts' content. If you want to hedge risks of inflation or currency depreciation there are much more efficient ways of doing it than by burying yellow metal in vaults.

As a consequence, however, the volatility which used to be a feature of the gold price has been transferred into the currency markets.

Not since the gold price reached almost $500 in the wake of the 1987 stock market crash have financial disturbances greatly affected the bullion market. Gold did little during the 1992 ERM bust-up and has scarcely budged in price during the dollar's recent travails.

Disillusioned though international investors may be by the American strategy of flooding the world with dollars, they still retain faith in some of the world's currencies. Inflation is not yet so prevalent that all currencies are depreciating in terms of gold. You can believe it or not, but the bullion market is saying that this is fundamentally a deflationary era.

THE BARINGS CRISIS

MPs question the Bank's role as supervisor

By James Blitz

One of the House of Commons' most prominent select committees is to re-open the question of whether the Bank of England should relinquish its role as supervisor of the UK banking system in the aftermath of the Barings collapse.

In a series of hearings which will include a cross-examination of Mr Eddie George, the Bank of England Governor, the Treasury and Civil Service committee is to examine whether supervision of the UK banking system should be taken over by an independent body.

In a report on the role of the Bank of England two years ago, the committee stated that the Bank should continue to keep its monetary and supervisory roles despite questions raised by the BCCI scandal.

But Sir Tom Arnold, the committee chairman and a Tory MP, said yesterday that news reports on the Barings collapse had re-opened the fundamental issue of whether the Bank should now follow the Bundesbank model, concentrating solely on its monetary role and leaving supervision to an independent body.

"I certainly think that one consideration now is to review our earlier work on the Bank of England and see whether the Bank should continue to be the supervisor of last resort," he said.

Mr Giles Radice, the senior Labour MP on the committee, also said the Bank's supervisory role was now open to question. "The Bundesbank does not have the supervisory role and that does impress us all," he said yesterday. "The Bank will have to convince me in this investigation of why it needs to retain the supervisory role." Members of the all-party committee said yesterday that their analysis of the Bank of England's part in the Barings affair would come in a long-awaited report into the regulation of derivatives trading.

The committee intends to question Mr George over whether the UK authorities' supervision of trading in financial markets was sufficient to prevent Barings' demise.

It also hopes to interview senior members of Barings' management team and leading figures in the City of London on the events leading up to the merchant bank's collapse.

A conservative MP on the committee said yesterday that he was now attracted by the German model for supervision, in which the monetary and supervisory roles are completely carried out by two separate bodies.

"In my personal view it is time for supervision to be taken away from the Bank of England altogether and given to an independent body," he said.

Another Tory MP on the committee, Mr Matthew Carrington, said he was personally in favour of the Bank retaining both its monetary and supervisory roles. But he acknowledged that there was "scope for movement on this issue" among Tory colleagues.

■ EXTRADITION

Leeson accused of forgery

Mr Nick Leeson, the former Barings trader, is being accused by Singapore authorities *of forging the signature of* a director of a US investment firm to cover Yen 7.8bn (£50m) of losses accumulated in a hidden trading account, write **Nicholas Denton and John Gapper.**

German prosecutors disclosed *details of the request for* Mr Leeson's extradition yesterday, including a claim by Singapore authorities that Mr Leeson forged the name of the managing director of the US firm Spears Leeds and Kellogg.

The extradition document *accuses Mr Leeson of forging* two documents to show that Barings Futures had received Yen 7.8bn from Spears Leeds and Kellogg for the alleged execution of a call option on the Nikkei 225 index. The document alleges that forged papers were "handed to the auditors *Coopers and Lybrand on* February 3 for the purpose of obtaining provisional audit clearance of Barings Futures' financial statement" for the 1994 year.

Internal Barings documents obtained by the Financial Times *show that an accrued* loss of Yen 7.7bn, which was allegedly built up by Mr Leeson in a hidden account numbered 88888 by the end of 1994, was "camouflaged as a receivable".

A memorandum by Mr Tony *Hawes, the group treasurer*, says it was credited to a customer account "from [Baring Futures'] house account, supported by a message on the counterparties note paper sent *from a personal fax machine*". Mr Hawes's memorandum said that the fax "satisfied our auditors," but did not specify whether he was referring to internal auditors, or Coopers & Lybrand. The accountancy firm declined to comment, cit*ing client* confidentiality.

One of the alleged forged papers is a letter, purporting to be from Spear Leeds and Kellogg, confirming the execution of a call option. The other is a *confirmation from Citibank in* Singapore that Baring Futures received the money.

The complaint alleges that papers were found in Mr Leeson's office showing that he had been practising the signature of Mr Richard Hogan, *managing director of Spear* Leeds and Kellogg. The US firm yesterday declined to comment.

Mr Leeson was detained at Frankfurt International Airport last week when he arrived on a flight from Malaysia after the collapse of Barings. He is currently being detained in a Frankfurt prison awaiting possible extradition.

Mr Leeson is said in Mr Hawes' memorandum to have *increased his trading* in the hidden account substantially from January 26 onwards. The Yen 7.7bn of accumulated losses were said to have been built up from trading options.

Associated Press

Singaporean officials in Frankfurt last week where they requested the extradition of Nick Leeson

■ ADVISERS – By Nicholas Denton

Fleming makes most of insight

The collapse of Barings has not been all bad for financial advisers: corporate finance teams *from other City merchant* banks have had few busier weeks advising clients on acquisition strategy than the one that begun with the bank's failure.

One merchant bank is said to have been in and out of Barings' *doors with three separate* clients interested in buying all or parts of the business.

The adviser which will benefit most financially is Robert Fleming, which earned a success fee for advising ING Group, the eventual purchaser of the Barings businesses. *It* contacted ING the day after Barings collapsed and offered it knowledge of the Barings group.

Fleming, like Barings, has a strong presence in the Far East. It knew the target's operations there from competing with them.

Moreover, Mr Bernard Taylor, a corporate financier at Fleming, worked at Barings for 10 years and rose to be one of three heads of corporate finance, leaving Barings only last April.

Mr Taylor gave ING valuable insights into the business. But his position as a former colleague, as well as a rival merchant banker, called for tact.

Mr Taylor says: "One has to be particularly sensitive not to cause hurt. We crawled over them as little as we could. We encouraged ING to use us in due diligence as little as possible."

ING took the lead in the *negotiations, and had 58 man*agers and staff in London investigating Barings.

The ING team brought with it painful experience gained from the 1990 purchase of Victory Reinsurance, which proved to have *substantial losses. It is* still suing its advisers on the transaction.

Another UK merchant bank, Schroders, was also heavily involved in the Barings rescue.

It advised Barings immediately after its predicament became known, and played an important role in the abortive effort to put together the financial lifeboat over that weekend.

Schroders came back into the arena last Friday as adviser to the joint bid for Barings from ABN Amro, of the Netherlands, and Smith Barney, the US stockbroker. The Schroders team won credit for its skill and tact.

There are some consolations in the Barings crash even for the bank's own corporate finance team. The directors held together and clients, which include bid target Wellcome, remained loyal.

One executive even jokes that the collapse and subsequent rescue may even boost Barings' position in the league tables of advisers on acquisitions.

In effect, Barings advised Barings on its sale.

■ IN BRIEF

Analysts join Smith New Court

Barings yesterday suffered its first public staff defections since its collapse. Eleven equity analysts from its Tokyo office have been recruited by Smith New Court, the UK stockbroker, **writes Nicholas Denton.**

The analysts are leaving despite a promise on Monday by ING Group, the acquirer of Barings, to pay bonuses to most staff. Smith New Court said its financial arrangement with the 11 had included a "golden hello" – a payment made on joining a firm.

Baring Securities, the stockbroking and market making part of the Barings group, said analysts moved all the time. But Barings executives are nevertheless privately concerned that the announcement could spark further departures.

Mr Cees Maas, a member of executive board of ING Group, and Mr Francis Kirkpatrick, a Baring Securities executive, were last night en route to Tokyo to reassure staff.

The recruitment doubles Smith New Court's existing research capability of ten people in Japan. It will enable the stockbroker to make fuller use *of the stock exchange seats it* has bought in Japan for a total of Yen 950m. Smith New Court said talks with the analysts had begun early last week. The Barings staff had contacted Smith New Court. Smith New Court head office in London *was informed of the possibility* that they might move on Monday last week.

Outstanding futures contracts closed

ING Group said yesterday that all Barings outstanding futures contracts had been closed, correcting an earlier statement by an ING board member that some 5,000 contracts remained open. "We are convinced that all of Barings' futures contracts outstanding in Japan's and Singapore's exchanges have been closed," ING said. *Reuter*

■ TRADING CONTROLS – By Nicholas Denton

Barclays reviews risk management controls

Senior executives of Barclays said yesterday they had reviewed risk management controls in trading operations after the collapse of Barings, but believed a similar incident could not have occured within the Barclays group. "Like every organisation in the world, we have looked at our systems. We have concluded that it could not happen here, although that does not mean that some other thing could not," said Mr Martin Taylor, Barclays' chief executive.

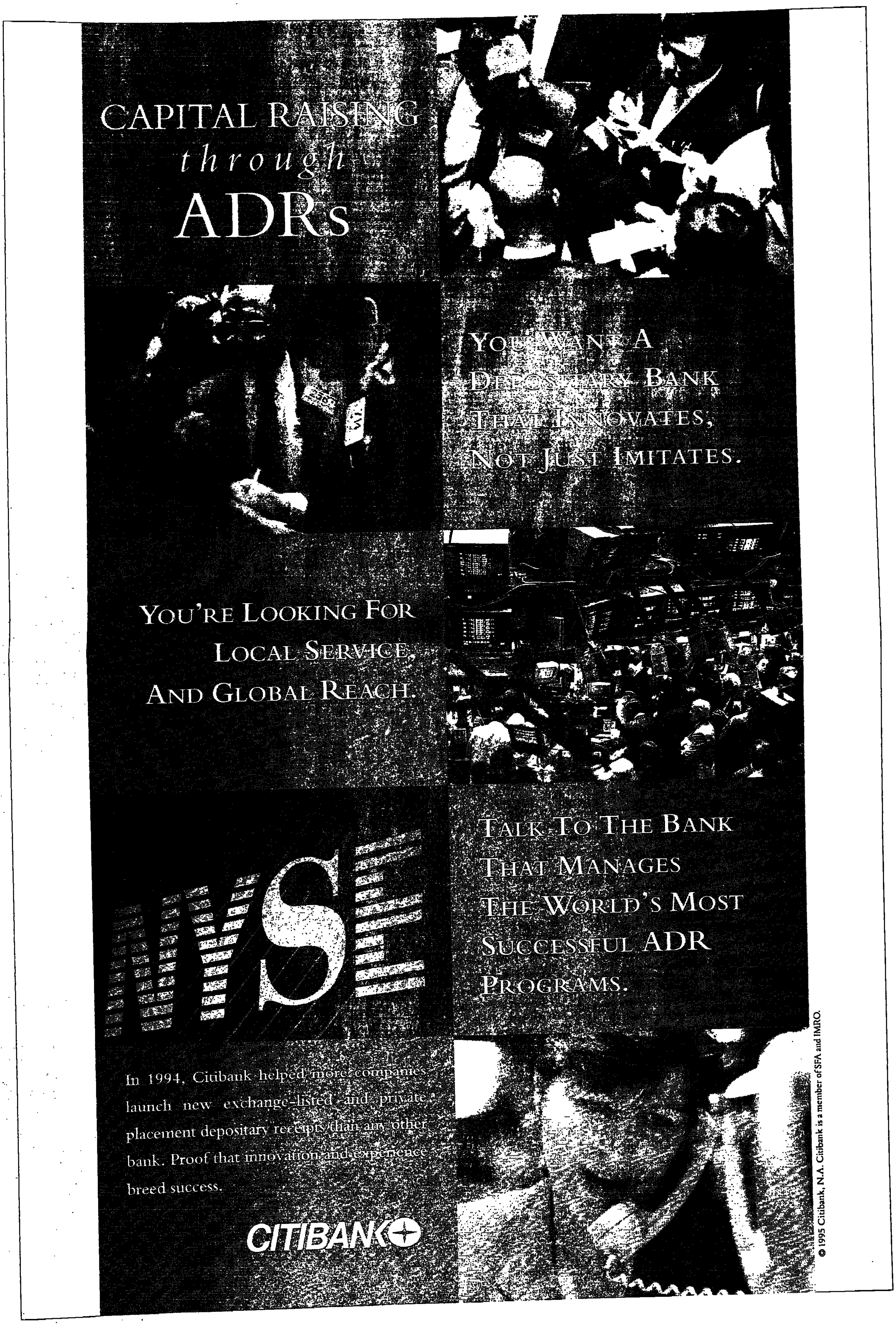
Mr Taylor said he had been reassured by disclosures of weaknesses in management controls at Barings because he would have been more worried about a repetition if the crisis had simply been caused by Mr Nick Leeson alone. "One rogue trader able to do immense damage is what someone in my position most worries about," he said, adding that it is worrying when "someone out there at the other end of the world can bring an organisation down unassisted".

However, he said: "When you find that controls were not in place and audit advice was ignored, you begin to feel it would not happen here because it was not just a hurricane. There were points along the way when it could have been caught."

Mr David Band, chief executive of BZW, Barclays' investment banking arm, said it had a clear separation of trading and settlement. There was also a separate global risk management function to oversee financial trading.

Mr Band said that "a very strange set of circumstances" appeared to have taken place at Barings. He added that if BZW was hit by "any berserk action" it would realise the problem "within 24 hours or so".

Mr Andrew Buxton, chairman, said Barclays had not bid for Barings because it had "an extremely strong investment bank in BZW, and what is the point of buying another?". Barings' uncapped futures losses had not influenced its view.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Carrefour's net income falls 29% to FFr2.1bn

By Andrew Jack in Paris

Carrefour, one of France's largest retailing groups, yesterday reported net income down 29 per cent to FFr2.1bn ($422m) for 1994.

However, it also reported a rise of 30 per cent in profits from recurring operations after stripping out exceptional items, and sales up 9.5 per cent to FFr136.3bn in spite of the current depression in consumer spending.

Group net income after exceptional costs of FFr33m was down substantially on the previous year, when it reported one-off capital gains of FFr1.35bn from the sale of its stakes in two companies.

In 1993, it sold its 32 per cent stake in Castorama and its 30 per cent stake in But, both electrical retailers, as part of its strategy to focus on developing hypermarkets and international stores.

The company has 222 hypermarkets in 11 countries, and is focusing on expansion in Asia. It has recently opened a store in China, and is considering opening one in Korea over the coming months. About 57 per cent of turnover and 53 per cent of profits are generated outside France.

The group said that its progress during 1994 was due to fast growth in a number of foreign markets, as well as the impact of a financial restructuring, acquisitions and the introduction of own-brands.

Cashflow from operations rose by 25.5 per cent to FFr6.1bn last year, and its ratio of debt to equity fell to 29.6 per cent from 41.8 per cent in 1993.

Carrefour provided relatively minimal financial information with its results, in line with its policy of offering detailed breakdowns at the time of its annual general meeting in April.

The company will recommend to shareholders an improved dividend of FFr26 per share, compared with a restated figure last year of FFr21.

Sharp rise for Hunter Douglas

Net profits at Hunter Douglas, the Dutch-based manufacturer of venetian blinds and architectural products, rose more than 40 per cent in 1994 on the back of strong non-European sales, writes Ronald van de Krol.

Net profit climbed to Fl 90.4m ($56.3m) from Fl 62.8m in 1993, on turnover up 12.5 per cent at Fl 2bn.

Sales by volume were up 12.7 per cent. However, these were slightly offset by currency movements and divestments.

Operating profit rose 42.6 per cent to Fl 193.4m from Fl 135.6m.

The dividend is to be raised to Fl 2 from Fl 1.75, reflecting not only the 1994 performance but also optimism for 1995, the company said.

Operations in North America, Hunter Douglas's second biggest market after Europe with 38 per cent of sales, generated record turnover and profits in 1994.

Sales were stable in continental Europe but profits rose, due mainly to cost-cutting, Hunter Douglas said without giving details.

Australia, New Zealand, Asia and Latin America were also strong.

Finvest and Pöyry agree to takeover

By Christopher Brown-Humes in Stockholm

Finland's Jaakko Pöyry, the world's leading forest industry consulting firm, yesterday agreed to a takeover by Finvest, a quoted Finnish investment group.

The move is in effect a reverse takeover, as Pöyry's shareholders and senior managers will control 52 per cent of Finvest's votes.

The move strengthens Pöyry's balance sheet and indirectly gives it a stock market listing, while providing it with a neutral shareholding structure. The agreement stems from the sale by Mr Kalle Isokallio, Finvest's controlling shareholder, of his 49.9 per cent voting stake.

His holding will go to a consortium led by Mr Henrik Ehrnrooth, Jaakko Pöyry chief executive. With further Finvest shares in payment for Jaakko Pöyry, the consortium will have 48 per cent of the shares and 52 per cent of the votes in Finvest. The net cash payment by the consortium will be FM50m ($11.4m).

Jaakko Pöyry has an estimated 40 per cent of the global forest industry consulting market and it is also active in energy and environmental engineering. It last year had turnover of FM1.3bn.

Hafslund in US deal

By Karen Fossli in Oslo

Hafslund Nycomed, the Norwegian group best known for radiology products, has signed a five-year agreement with VHA, the largest US healthcare group, to provide products through the VHA Plus label.

Hafslund said more than 150 medical-surgical, pharmaceutical, laboratory and radiological product lines produced by national manufacturers carry the VHA Plus label and allow VHA to market the products. In return, the manufacturers achieve greater sales penetration within VHA's network of 1,132 healthcare organisations in 47 states and the District of Columbia.

Under the terms of the deal, Hafslund will supply its Omnipaque X-ray contrast imaging agent to VHA for sale to its members.

Acquisitions help lift earnings at VNU

By Ronald van de Krol in Amsterdam

Acquisitions helped boost 1994 net profit at VNU, the Dutch publishing group, by 42 per cent to Fl 206.0m ($128.7m) from Fl 144.9m the year before.

Other factors behind the sharp rise in earnings were efficiency improvements and economic recovery in key markets.

The profits increase was in line with predictions made in early January by Mr Joep Brentjens, chairman, in a message to staff.

Turnover increased by 20 per cent at Fl 2.78bn; of this, about 15 percentage points were attributed to companies and publications acquired during 1994.

VNU's acquisitions last year included BPI Communications of the US, the publisher of Billboard and other magazines.

At the end of the year, VNU also agreed to acquire Calyx Group, a London-based company that runs marketing information services in the UK.

Net profit per share rose 21.2 per cent to Fl 11.43 from Fl 9.43. The weaker rate of increase compared with the net figure was attributed to the company's issue of 3.6m new shares in April, taking the number of ordinary shares outstanding to 18.94m.

VNU, which plans to raise its dividend to Fl 4 a share from Fl 3.60, said all its activities – ranging from consumer magazines to newspapers and educational publications – posted much better results in 1994.

Results from commercial television in Belgium and the Netherlands remained roughly at 1993's levels, reflecting in part the start-up costs of a second Dutch channel, RTL 5.

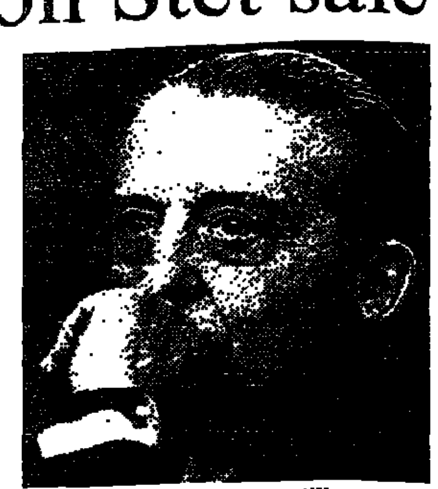
VNU is the largest publisher of consumer magazines in the Netherlands and Belgium.

Its interests in trade magazines make it more dependent on the business cycle than the other big Dutch publishing groups, Wolters Kluwer and Elsevier, which is now part of Reed-Elsevier.

Hard core muscles in on Stet sale

Banks' move to control the Italian telecoms group raises doubts about achieving wider ownership, writes Andrew Hill

Michele Tedeschi: IRI chief has more than Mediobanca's and IMI's plans to consider



Enrico Cuccia: Mediobanca still managed to consolidate traditional influence

In the middle of last month, 26 letters went out from the headquarters of IRI, the Italian state holding company, on Rome's Via Veneto. IRI invited banks – 18 foreign and eight Italian – to fill in a 10-point questionnaire on why they should get the job of co-ordinating the sale of the holding company's majority stake in Stet, the telecommunications group.

Stet, which is already quoted in Milan and is planning a listing in New York before the summer, is one of Italy's biggest companies, with an overall market capitalisation of more than L22,000bn ($13.3bn) and a near-monopoly of one of Europe's biggest and least-developed telecoms markets.

Not surprisingly, Monday's deadline for applications to co-ordinate the sale has rekindled a fierce debate about the future of Italy's sprawling public sector.

Mediobanca, the influential Milan merchant bank, and its traditional banking allies – Banca di Roma, Credito Italiano (Credit) and Banca Commerciale Italiana – have offered a simple short-cut to privatisation of Stet.

They would take on IRI's entire 61 per cent holding in Stet at a price to be decided later. The banks would then set up a nocciolo duro, or hard core of industrial and financial shareholders, and launch a public sale of the rest of the shares.

The Mediobanca move could be matched by a rapidly assembled alliance of IMI, the former state-owned banking group; Cariplo, the Milan savings bank; and Istituto San Paolo di Torino, the Turin-based banking group.

Mediobanca first floated such a project before Italy's ambitious privatisation programme got under way two years ago. At the time, the idea of a hard core of shareholders was supported by Mr Piero Barucci, then a minister at the Treasury, and Mr Paolo Savona, then at the industry ministry. However, it was strongly opposed by Mr Romano Prodi, then head of IRI.

Indeed, Mr Prodi backed the so-called "public company" approach – public share offerings to promote wider ownership of former state-sector assets – with such vehemence that, in October 1993, Mr Savona resigned temporarily in protest.

In the event, the privatisation of state banks IMI, Credit and BCI, and Ina, the insurance company, did go ahead according to Mr Prodi's concept.

But critics claim that in spite of strict limits on shareholdings and other safeguards, Mediobanca, guided by honorary chairman Mr Enrico Cuccia, 87, still managed to consolidate its traditional influence over the banks. This was because allies in the Italian corporate sector bought small blocks of shares.

Some analysts believe Italy is moving not towards Mr Prodi's vision of public companies – which requires strong and neutral institutional investors – but towards a German-style economy dominated by big banks.

The problem is that until the banks themselves move out from public influence, the Italian system is still open to accusations that it works only in its own interests or those of powerful political lobbies.

The Mediobanca "consortium" is itself a good example of the hereditary problems facing the system: Banca di Roma is still partly owned by IRI but, at the same time, along with BCI and Credit, it is one of Mediobanca's largest shareholders.

Last week, Mr Marco Tronchetti Provera, chief executive of tyres and cables group Pirelli, warned that the sale of state-owned industry would be undermined if banks were not properly privatised.

Ironically, however, Pirelli is also seen as a Mediobanca ally and a certain member of a Stet nocciolo duro masterminded by Mediobanca, in spite of the group's protests that it seeks only industrial co-operation with Stet.

Mediobanca's and IMI's plans for Stet are not the only ones on the table of Mr Michele Tedeschi, a former chief executive of Stet who took over from Mr Prodi as head of IRI last summer.

In the past, the Italian government and IRI have rewarded big international investment banks such as Goldman Sachs, S. G. Warburg, Lehman Brothers, Merrill Lynch and J. P. Morgan with privatisation mandates. Many of them are believed to have submitted offers to co-ordinate the Stet deal.

International banks' noses will be put severely out of joint if IRI, which is due to make a decision in April, accepts either the Mediobanca or the IMI offers to buy the whole Stet stake. But even the Italian banks' rivals have to admit that they have picked their moment well, for a number of reasons.

First, the government of Mr Lamberto Dini, and the management of IRI, are facing increasing international pressure to deliver their promises to accelerate privatisation. This will prove difficult as long as Italian markets are overshadowed by political uncertainty, and if the Italian parliament decides to go slow on the establishment of regulatory authorities for the electricity and telecoms sector.

Selling off the entire stake in one move would allow the government to demonstrate its determination to privatise, and at the same time reduce the country's public deficit.

Second, the nocciolo duro is back in fashion. Mr Dini and his colleagues in the technocratic government have decided to sell the Treasury's outstanding shares in IMI and Ina to a core of shareholders, rather than risk a full public offer of shares, which would have to be sold at a price lower than the original privatisation.

Traditional shareholders in IMI – Cariplo, San Paolo di Torino, and Monte dei Paschi di Siena, the Tuscan bank – are already preparing to increase their stakes in the banking group.

Finally, traditional opponents of the approach proposed by Mediobanca are temporarily disarmed. Mr Prodi is preparing an election campaign as the candidate of the centre-left, but he does not yet have his hands on the levers of economic power.

And, as one foreign banker put it yesterday: "The Dini government may be weak, but in this case it has the power to make an irreversible decision."

November 1994
Akzo Nobel NV
US$700 million
Revolving Credit Facility
7 years
Joint Arranger and Agent

December 1994
Elopak A/S
NOK 360 million
Term Loan and
Revolving Credit Facility
5 years
Joint Arranger

October 1994
Gencor-Billiton
US$537.5 million
Senior Acquisition Financing
Facility, 7 years
US$65 million
Junior Acquisition Financing
Facility, 7 years & 1 day
Global Coordinator and Agent

July 1994
Marketing Finance Corporation of Zimbabwe
US$90 million
Pre-export Financing
1 year
Co-Arranger

September 1994
Nutreco
US$340 million
Senior Acquisition Debt and
Working Capital Facilities for the
US$ 550 million. MBO from BP
7 years
Joint Arranger

June 1994
Philips Electronics NV
US$2.5 billion
Revolving Credit Facility
5 years
Senior Lead Manager

June 1994
Aylesford Newsprint Limited
£150 million
Project Financing for a
recycled newsprint plant
10 years
Agent and Joint Lead Arranger

October 1994
EVC International NV
DM 425 million
Revolving Credit Facility
4 years
Co-Underwriter and Co-Lead Manager

September 1994
Humber Power Limited
£520 million
Project Financing for a 750 MW
gas-fired power station
17½ years
Agent and Joint Lead Arranger

April 1994
Merloni Elettrodomestici S.p.A.
US$100 million
Revolving Credit Facility
3 years
Joint Arranger

December 1994
Perstorp AB
US$150 million
Revolving Credit Facility
5 years
Joint Arranger

December 1994
Sappi Limited
US$240 million
Senior Credit Facility
3 years
Lead Arranger

November 1994
BN Bank
NOK 550 million
Term Loan Facility
5 years
Co-Arranger

When it comes to syndicated credits, you are in safe hands with UBS.

February 1994
Cia. Sevillana de Electricidad, S.A.
SFr 110 million
Term Loan
5 years
Arranger and Agent

January 1995
Cerus, Compagnies Européennes Réunies S.A.
FF 2 billion
Multi-Currency
Revolving Credit Facility
3 years
Joint Arranger

April 1994
Tarkett International GmbH
DM 360 million
Senior Acquisition
Financing Facility
6½ years
Co-Arranger

April 1994
Comviq GSM AB
SEK 1.6 billion
Project Financing Facility
8½ years
Co-Arranger

September 1994
Union Fenosa, S.A.
US$100 million
Term Loan
5½ years
Co-Arranger and Agent

May 1994
Cowie Financial Holdings plc
£200 million
Revolving Credit Facility
3 years
Joint Arranger

July 1994
Cia. Valenciana de Cementos Portland, S.A.
Ptas 35 billion
Term Loan
5 years
Co-Arranger and Co-Underwriter

December 1994
Det Norske Veritas AS
£56.25 million
Revolving Credit Facility
5 years
Arranger

November 1994
Fiat Finance and Trade Limited
US$400 million
Multi-Currency
Revolving Credit Facility
5 years
Lead Manager

June 1994
Independent State of Papua New Guinea
US$90 million
Tax Receivables
Financing Facility
3½ years
Arranger and Agent

January 1994
M&M Finance Company Ltd
US$120 million
Medium Term
Trade Receivables Financing
Arranger and Agent

June 1994
Pharmacia AB
US$500 million
Revolving Credit Facility
5 years
Joint Arranger

March 1994
Zambian Consolidated Copper Mines Limited
US$50 million
Trade Financing Facility
1 year
Arranger and Agent

September 1994
EDP, Electricidad de Portugal S.A.
DM 375 million
Term Loan
7 years
Co-Arranger and Co-Underwriter

July 1994
Gardner Merchant
£240 million
Refinancing, Working Capital
and Acquisition Facility
5 years
Co-Arranger

November 1994
IZASA, S.A.
Ptas 8 billion
Structured Term Loan
7 years
Co-Arranger and Co-Underwriter

December 1994
Norgeskreditt AS
US$200 million
Term Loan Facility
5 years
Co-Arranger

Union Bank of Switzerland

All these transactions appear as a matter of record only.

INT'L COMPANIES AND FINANCE: GENEVA MOTOR SHOW

GM's European vehicle operations leap 43%

By Kevin Done, Motor Industry Correspondent, in Geneva

General Motors increased the net profits of its core European car and light commercial vehicle operations by 43 per cent last year, to $858m from $598m a year earlier.

The vehicle business (GM in Europe, excluding components, financial services and data processing) achieved an operating profit of $1.056bn. GM claimed it was the most profitable volume carmaker in Europe for the fifth year in succession.

The GM group, which includes Sweden's Saab Automobile where it has a 50 per cent stake and management control, is second in the west European new car market behind Germany's Volkswagen group.

Mr Richard Donnelly, president of GM Europe, said the vehicle operations would increase capital investment in Europe to $1.7bn from about $1.0bn in 1994.

The increase will be primarily due to the launch in the autumn of a replacement for the Opel Vectra/Vauxhall Cavalier large family car.

GM forecast only a modest further recovery in new car sales in west Europe this year, by just under 3 per cent to 12.2m units from 11.9m in 1994.

"Although there may be some continued recovery in the short term, we do not see the overall new car market in western Europe returning to the pre-recession level of 13.5m until the latter part of this decade," Mr Donnelly said.

GM exported about 195,000 Opel-branded cars from west Europe to overseas markets last year, a rise of 50 per cent from 130,000 a year earlier, said Mr Louis Hughes, president of GM's international operations. Opel car sales in the Asia-Pacific region increased 80 per cent to 52,000 from 28,600 in 1993.

GM is developing its European car operations and the Opel brand as the spearhead for the expansion of its international car operations outside North America. Mr Hughes said the group planned to export up to 60,000 Opel Astra small family cars from Europe to Brazil this year.

The group is examining projects for Opel cars in India, Malaysia, the Philippines, Thailand, China and Russia, as part of its strategy for making Opel into a global brand.

GM is also planning to sell a version of its Opel Omega executive car in the US from the autumn of 1996 under the Cadillac Catera badge. This would be the first time that it has exported cars from Europe to the US for sale under one of its North American brand names.

GM small car could be in production by end of decade

By Kevin Done

General Motors, the US carmaker, yesterday unveiled a radical concept for a small city car.

A model derived from GM's MAXX advanced engineering study could be in production around the end of the decade, using manufacturing technology that could more than halve current production times for small cars to about six hours a vehicle, according to Mr Peter Hahnenberger, engineering executive vice-president for GM's international operations.

European volume carmakers have been closely studying the small car market in Europe to determine whether there is room to expand with new products smaller than the present mainstream superminis such as the Ford Fiesta, the Opel/Vauxhall Corsa, the Renault Clio and the Volkswagen Polo.

The market for so-called "A-segment" cars is currently dominated by the Polish-built Fiat Cinquecento and the Renault Twingo.

Both Ford and Volkswagen have announced plans to produce cars smaller than their current Fiesta and Polo models, but they have chosen to use conventional technologies with shortened versions of these cars.

It is understood that GM is to follow a similar route with a confidential plan to produce a car shorter than its current Opel/Vauxhall Corsa, but derived from components of that model. This new car is expected be launched in around three years to meet the imminent competition from Ford and VW.

The GM plant in Eisenach in east Germany is emerging as the most likely production location, ahead of other possible sites in eastern Europe, such as GM's plant at Szentgotthard, Hungary.

However, GM is also seeking to pioneer a more adventurous route for the development of small city cars in the next decade, such as its MAXX advanced engineering study.

According to Mr Louis Hughes, president of General Motors' international operations, it is necessary to develop a small city car priced at between DM12,000 and DM14,000 ($9,980) and to achieve "a paradigm shift" in lowering development and production costs.

GM's MAXX project, unveiled yesterday at the Geneva motor show, has been under development for about 18 months.

The body comprises a skeleton frame made of extruded aluminium sections welded together to form a cage strong enough to comply with safety regulations planned for the end of the decade, then clad with pressed aluminium panels.

The system also allows for modular construction, which would be the key to lowering assembly times dramatically.

GM claims that modular construction would allow different versions ranging from four-passenger cars to a convertible, a pick-up, a van or a new kind of taxi to be built on the same platform.

The short two-door version of the MAXX is 2.975m long, shorter than the Rover Mini.

It weighs 600kg, and would have a fuel consumption of less than 4 litres per 100km from 30 and 50 brake horsepower three- or four-cylinder engines.

Mr Jürgen Stockmar, executive director at GM Europe's Opel technical development centre in Germany, claimed that the aluminium extrusion technology under development would cut costs and increase flexibility.

Such city cars would probably be produced in only small volumes as niche products, however.

GM said yesterday that it had no plans to put the MAXX "into immediate production".

However, it said the first driveable prototypes would be produced later this year and were expected to be shown at the Frankfurt motor show later this year.

Mr Hahnenberger said it would "take around five years to bring such a vehicle to the market place". It could be in production by 2000.

He said that the MAXX concept car was a response to the problems of urban congestion.

"People's mobility in built-up urban areas is increasingly challenged.

"We need a great deal of intelligence and creativity to maintain this mobility in the next millennium."

Ford to build new range in Spain

By Kevin Done

Ford, the US carmaker, is to invest $201m at its plant in Valencia, Spain, to build a new range of small cars.

The vehicle will be the smallest car in the Ford range and will be positioned below its current Fiesta supermini to pioneer a new segment of the world car market for Ford.

It has also emerged that Ford's UK Fiesta assembly plant at Dagenham, Essex, is most likely to be chosen to produce a modified version of the Fiesta for sale by Mazda, the Japanese carmaker, in Europe.

Mr Albert Caspers, chairman of Ford of Europe, said production of the new small car would begin in Spain during the third quarter of 1996, with a capacity to produce nearly 200,000 cars a year. The Valencia plant currently produces the Fiesta and Escort models.

The company said it had not yet decided whether the plant would become a three-car production facility, or whether output would be concentrated on the small car and the Escort. The number of hours required to produce a car at the Valencia plant had been cut by 30 per cent between 1990 and 1994, Mr Caspers said.

Ford said the new car had been designed and engineered in one of the shortest product development cycles in Ford's history.

It was expected to start production within 24 months from the decision to commit the investment to the project.

Ford said the new car, which would be derived from a shortened version of the current Fiesta chassis platform, would compete in an expanding segment of the European car market.

The total A/B segment, which comprises cars of the Fiesta supermini class and below, was expected to grow to 36 per cent of the total market by the end of the century.

Ford said it was seeking to appeal in particular to first-time car buyers and female customers. "Women are accounting for an increasing proportion of car purchases and are predicted to make up 49 per cent of the total European market in the years ahead from 26 per cent today," it said.

The decision to locate the small car at Valencia is likely to increase output of Fiestas at Ford's Dagenham and Cologne plants, which also assemble the range.

Output at these plants will also be lifted by Ford's decision to export about 40,000 Fiestas from Europe to South America this year, and by the move to produce Mazda-badged versions of the car.

Mr Richard Parry-Jones, Ford vice-president for small and medium-sized car engineering, said the UK plant was "the leading contender" to produce the cars for Mazda, which is 25 per cent owned by Ford and which currently has no production base in Europe.

Daewoo to spend $11bn on strategy development

By Haig Simonian in Geneva

Daewoo, the Korean industrial group which aims to become one of the world's leading producers of motor vehicles, has fleshed out its ambitions.

Mr Sung-Hak Park, the executive in charge of vehicle exports, said it expected to spend $11bn to develop its strategy between 1995 and 2000.

Daewoo planned five new models, the first of which would be unveiled in 1997, followed by the others at annual intervals. The range would include a compact car, a luxury limousine and a multi-purpose vehicle.

Daewoo currently makes the Espero and the Nexia models, which are based partly on technology transferred during its former co-operative agreement with General Motors, the US carmaker.

Most of the spending will be in Asia and the developing world. Daewoo expects its Romanian plants, scheduled to produce 200,000 units a year, to start up in October. A factory of similar capacity in Uzbekistan will follow soon after.

Further plants will be built in India, Iran, the Philippines, Vietnam and Indonesia, according to Mr Park.

The group's biggest foreign project is a new factory in China, with output of 250,000 vehicles a year. Mr Park said no decision had yet been reached on its location, and talks were under way with the government and possible partners.

Mr Ulrich Bez, the former Porsche and BMW executive who moved to Daewoo 18 months ago, said the Indian and Romanian factories required investment of between $500m and $800m each. The Uzbek project would cost about $300m-$400m, while each new model platform needed between $300m and $400m.

Daewoo's European plans are more modest, but remain relatively ambitious in view of the market's fragile growth. Mr Park said Daewoo expected to sell about 100,000 cars in Europe this year.

RTZ to form partnership with Freeport McMoRan

By Kenneth Gooding, Mining Correspondent

RTZ, the world's biggest mining company, is to pay between $450m and $875m for a significant interest in Freeport-McMoRan Copper & Gold, a US company that owns 86 per cent of a big copper and gold deposit in Iran Jaya, Indonesia.

The UK group gains the right to invest up to $850m on exploration and development projects on Indonesian land controlled by Freeport Copper & Gold. It will also acquire, for about $20m, a 25 per cent interest in the US company's Huelva copper smelter in Spain.

Mr James Moffett, chairman of both Freeport Copper & Gold and its parent Freeport McMoRan, said RTZ's funding of expansion at the Indonesian operations would free cash flow to be generated by Freeport Copper & Gold's present expansion programme. The RTZ deal provided Freeport McMoRan with the funds necessary to complete the refinancing of its liabilities and removed the last obstacle to completion of its restructuring, announced last May.

The arrangements call for RTZ to acquire 10.4 per cent of Freeport Copper & Gold from Freeport McMoRan for $450m, with an option to acquire another 1.8 per cent for $75m.

As part of Freeport McMoRan's restructuring, RTZ, if requested, will make an offer for Freeport McMoRan convertible loan notes. Freeport McMoRan is to spin off most of its stake in Freeport Copper & Gold to shareholders.

RTZ could emerge with 18 per cent of Freeport Copper & Gold and 12 per cent of Freeport McMoRan for a total of $875m.

After the spin-off, Freeport McMoRan's main asset will be its majority interest in Freeport-McMoRan Resource Partners, one of the world's biggest phosphate and sulphur fertiliser businesses.

The short-term impact on RTZ's earnings was expected to be broadly neutral. If RTZ spent $875m, the cash would be from its own resources and gearing would rise to 20 per cent from about 6 per cent.

RTZ and Freeport Copper & Gold will set up a joint exploration company to explore more than 3m acres in Iran Jaya. The UK company will have 40 per cent but fund the first $100m of expenditure.

Freeport Copper & Gold's Grasberg mine in Iran Jaya is being expanded at a cost of $700m to take annual output to 500,000 tonnes of copper and 1.5m ounces of gold.

If the mine is further expanded, RTZ will have a 40 per cent share and provide all the funds required, up to $750m.

HJ Heinz shares fall despite 8% profits rise

By Richard Tomkins in New York

H. J. Heinz, the US food group, yesterday made a partial recovery from last year's depressed third quarter by reporting an 8 per cent gain in net profits to $138.3m for the period to January.

Mr Anthony O'Reilly, chairman, reiterated earlier forecasts that the company would produce a double-digit earnings growth from operations for the full year.

However, investors appeared to show signs of nervousness, marking the shares down $¾ to $37¼ in early trading.

In the same period a year earlier, Heinz suffered a tumble in profits to $128.6m from $162.3m, attributing much of the blame to a sharp decline in its Weight Watchers business. Heinz said the Weight Watchers business was recovering well, with enrolments and attendances at dieting classes strongly ahead in the January-February period.

Group sales increased 14 per cent to $1.95bn in the quarter, with half the increase coming from acquisitions. Of the rest, volume gains accounted for 4 percentage points and the favourable effect of exchange rates accounted for 3 percentage points.

Operating income rose $27m to $274m, or 11 per cent, but this was partially offset by an $18m increase in the interest charge caused by acquisitions and higher US interest rates.

Earnings per share rose 12 per cent to 56 cents from 50 cents, helped by lower tax rates – down to 36 per cent from 40 per cent – and by share repurchases.

Fitness regime gives Valeo strength

Components group reaps benefit of cost-cutting , says John Ridding

When the Gulf war erupted in 1990, Mr Noël Goutard, chairman of Valeo, launched his own assault. He warned senior managers of the French automotive components group of the recession to come and ordered them to prepare plans for cost-cutting, restructuring and debt reduction.

The productivity measures which followed allowed Valeo to weather the sharp downturn in the automotive industry. Even in 1993, the trough of the recession, profits edged ahead.

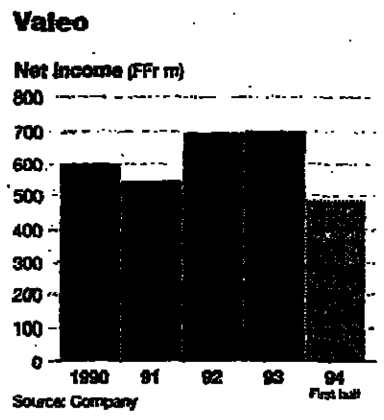
Further evidence of the benefits will be revealed today when Mr Goutard announces results for last year. Industry analysts are expecting net profits in excess of FFr900m ($110m), compared with FFr705m in 1993. In the first half alone, Valeo recorded profits of FFr487m, an increase of 27 per cent over the comparable period.

"It was a strong year," said Mr Goutard in a recent interview. "It was a vindication of our efforts to cut costs and shows the momentum of our progress."

The question is whether such momentum can be maintained. In the US, shares in automotive groups have fallen as investors have questioned the upbeat forecasts for the market.

Although demand has rebounded, competition remains fierce, placing ever greater pressure on suppliers. A further consideration for Valeo is whether any more fat can be trimmed from its operations.

However, for Mr Goutard the road ahead seems clear. In spite of the risk of potholes such as the Mexican financial crisis, he sees the automotive sector worldwide expanding by a minimum of 3 per cent a year for the next decade. For Valeo, he believes sales will rise to more than FFr25bn this year, compared with FFr23bn in 1994. This increase excludes the impact of the creation of a new company merging the air conditioning operations of Valeo and Siemens, its German rival.



Noël Goutard chairman

Behind such forecasts lies an upbeat assessment of industry trends and confidence in Valeo's strategy. In the US, though Mr Goutard claims that he never subscribed to the more upbeat forecasts of a market of 16m vehicles this year after 15.1m in 1994, "we still think that we are looking at a strong market for this year and for 1996".

He is similarly confident about the outlook for Europe, with Germany, the UK and France forging ahead.

In France, he shrugs off concerns that the end of government-funded incentive schemes for car buyers will throw the market into reverse.

"The recovery is based on strong fundamentals," he says. "The government measures may have accelerated the recovery but I don't think their removal will damage the trend."

However, it is the emerging markets of Asia which prompt the greatest enthusiasm. "There is enormous appetite for automobiles there," he says. "New car giants are going to emerge in India and China."

Valeo is well placed to supply the emerging constructors in Asia. In 1994, it finalised four joint ventures in China, and one in South Korea. Mr Goutard is travelling to India this month to prepare the ground for a foray.

Given the rash of manufacturing projects recently announced by US, Japanese and European carmakers, and Valeo's policy of following the constructors to new markets, an investment is unlikely to be long in coming.

The potential rewards of emerging markets are accompanied by risks, with the Mexican economic crisis the latest example.

Mr Goutard is sanguine in the face of such shocks. "I am unfazed by the peso crisis," he says. "We have experience of handling difficult markets."

In this case, the cloud has a particularly shiny lining. With much of the output from the company's four plants going to the export market, the decline in the peso is likely to bring a net gain.

In spite of the attractions of new markets, growth must be squeezed from Valeo's existing operations.

"It is one of the toughest sectors to compete in," says one industry analyst at a French merchant bank, "and Valeo's rivals have stepped up their productivity and efficiency measures."

Mr Goutard believes his group can keep its nose in front through a continuation of existing policies. He places particular importance on investment in research and development and in upgrading plant.

"We plough a lot of our revenues back into the company," he says. "If you add R&D expenditure, fixed investment and rationalisation costs it comes to almost 20 per cent of sales."

Growth should also continue through acquisitions and alliances. Last year, the French group took control of Borg Instruments of Germany. Last week came the merger of air conditioning operations with those of Siemens, to form a company with annual sales of about FFr4.2bn and in which Valeo holds a majority stake.

Mr Goutard rejects the idea that the deal is the first in a series of steps towards collaboration with its German rival. With net debt down to zero he has room for acquisitions, though they are unlikely to be large bids.

"I am more interested in smaller acquisitions which could strengthen our activities in specific areas," says Mr Goutard. "I don't want to buy a company which is too big to adapt to our management strategy, or to burden the balance sheet with debts."

US investment group agrees to buy Koor Industries stake

By Julian Ozanne in Jerusalem

The Shamrock group, a US investment company, said yesterday it had signed a letter of intent with Israel's labour federation to buy 22.5 per cent of Koor Industries, Israel's most profitable industrial conglomerate.

The deal, worth $252m, values Koor at more than $1.1bn, compared with the current market value of about $900m.

The sale of the shares, held by the Hevrat Ha'ovdim, the investment arm of the labour federation, marks another step towards ending the involvement of trade unions in the country's big companies.

Koor is one of Israel's leading investment companies involved in a wide range of activities including electronics, telecommunications, building materials, chemicals, metals, food, consumer products and trade. The group accounts for about 7 per cent of Israel's industrial output and 8 per cent of exports.

Koor executives said the deal, expected to be completed within 30 days, would pave the way to a listing in New York.

In 1993, Koor's net profit was $127m on sales of $2.4bn. Results for the first nine months of 1994 to the end of September showed net profit of $97m on sales of $2.2bn, an increase of 15.8 per cent over the same period in 1993. Exports for the nine months were $684m, up 20.4 per cent.

Mr Roy Disney, vice-chairman of Walt Disney, the US entertainment group, and his family formed Shamrock as a private investment vehicle in 1984. The group has interests in broadcasting, sportswear, property and retailing.

Bramalea funds deal collapses

By Bernard Simon in Toronto

Bramalea, the Toronto-based property developer, has suffered a setback in its struggle for survival with the collapse of negotiations for a C$300m (US$212.7m) investment from a group of prominent international investors led by Mr Steven Green, a US financier.

Bramalea, which has debts totalling C$3.5bn, filed for protection from its creditors last week for the second time in less than three years. The court order requires it to file a new restructuring plan by May 1.

The company said it intended to work on alternative proposals with other potential investors.

The investment by Mr Green's group, known as International Realty Investors, was conditional on creditors' willingness to convert up to C$600m of Bramalea debt into equity.

In addition, lenders were asked to extend C$750m of loans for five years from their present maturity date of March 1998.

However, a handful of creditors balked at the terms of these conditions, leading to last week's request for court protection and the subsequent breakdown of negotiations.

Bramalea warned that, without the court order, it would "run out of cash and have fully utilised all currently available bank lines before the end of March 1995".

Bombardier upbeat after 38% rise

By Robert Gibbens in Montreal

Bombardier, the Canadian-based international aerospace, transit equipment and consumer products group, posted a 38 per cent gain in net profit for the year ended January 31 1995, on a 23 per cent rise in revenues.

All segments contributed to the growth in net profit to C$241.9m (US$173m), or C$1.45 a share, from C$175.6m, or C$1.12, a year earlier. Strength in the aerospace business and motorised consumer products fuelled the rise in revenues to C$5.9bn from C$4.8bn.

Fourth-quarter net profit was C$77.1m, or 46 cents a share, against C$57.7m, or 37 cents, on revenues of C$2.3bn, against C$1.5bn.

The overall results exceeded most analysts' estimates.

Detailed results will be announced in early April.

Mr Laurent Beaudoin, chairman, said Bombardier was "well positioned to pursue its growth" in the coming year.

The company is aiming at a bigger share of the European transit equipment market with the acquisition of a German railcar manufacturer last month, and is raising production of its 50-seater Regional Jet in response to strong international demand.

The company's order backlog for aerospace and transit equipment totals about C$9bn.

Haeco cuts payout as net falls to HK$414m

By Simon Holberton in Hong Kong

Hong Kong Aircraft Engineering Company (Haeco) yesterday cut its dividend after it announced a 7.5 per cent fall in net profit to HK$413.6m (US$53.5m) in the year to the end of December, from HK$447m.

In spite of a 4 per cent rise in turnover to HK$2.4bn, the company was unable to maintain margins in the face of a sharp decline in rates for aircraft maintenance worldwide, and persistently high Hong Kong inflation, it said.

Directors recommended a final dividend of 64 cents a share which, after an interim payout of 30 cents, makes 94 cents for the year – down 7 per cent on 1993. Earnings per share fell to HK$2.23 from HK$2.41 previously.

Mr Peter Sutch, chairman, said Haeco's operating margins and profits were significantly lower in the second half of the year. He said he was unable to predict when market conditions would improve.

"The operating conditions facing the company will remain very difficult during 1995 and indeed quite possibly for sometime thereafter," he said.

Mr Sutch signalled that the company was about to lose its virtual monopoly on aircraft maintenance in Hong Kong when the colony's new airport opens. However, he said that the overall market was expected to grow.

Haeco is 52.6 per cent owned by Swire Pacific, the UK trading group which also controls the Cathay Pacific airline, Haeco's main customer.

De Beers maintains its dividend

By Mark Suzman in Johannesburg

De Beers, the South African mining group which dominates the world diamond industry, has maintained its dividend at 84.4 cents a share, in spite of significant illicit diamond sales by Russian producers.

However, attributable earnings fell 7 per cent to $555m for the 1994 financial year, down from $595m previously.

Income on the company's combined diamond account declined to $624m from $727m largely due to the exclusion of results from Namdeb, the new company formed to oversee De Beers' Namibian interests in an equal partnership with the Namibian government. These figures had previously been consolidated.

However, the company's biggest problem was that rough diamond sales by the Central Selling Organisation, the agency through which De Beers controls the world diamond supply, fell 3 per cent to $4.25bn from $4.37bn a year ago. The decline was almost entirely due to continued sales by Russia outside of its existing quota arrangements with De Beers.

Mr Julian Ogilvie Thomson, De Beers chairman, said yesterday that negotiations with the Russians were continuing in an attempt to stop the sales and finalise a new marketing agreement.

"It is very much to be hoped that the Russian authorities will re-commit themselves [to the CSO sales system] and renew their successful co-operation with De Beers which has run for over 30 years," he said.

Mr Gary Ralfe, managing director of the CSO, would not give a direct estimate of the size of illicit Russian sales, but said that reports suggesting that Russia was selling an extra $700m to $800m of rough and polished stones on the market, over and above the diamonds it already sold through the CSO, "is not a number we would take issue with".

He also said that De Beers had spent more than $1bn last year purchasing surplus stones on the open market.

Mr Ogilvie Thomson said that, under the circumstances, he felt the overall results were "satisfactory and encouraging". In particular, he said he was very encouraged by the fact that the overall retail diamond market had risen by 4 per cent to a new record during 1994.

Yen's surge threatens steelmakers

By Our Financial Staff

Japan's four leading steelmakers see the yen's surge as a potential threat to their recovery.

Although the companies say they are not considering changing their business plans, now being formulated on the assumption that the dollar will be at Y100, they say the yen's rise could be threatening.

An official of Sumitomo Metal Industries said: "The yen's rise to this extent is troublesome."

The other three leading steelmakers are Nippon Steel, Kawasaki Steel and NKK.

They made the remarks on the yen in separate news conferences at which they announced forecasts of their results in the year to the end of this month.

A NKK official said the company did not think the strength of the yen would last; Mr Kenzo Monden, Kawasaki Steel's vice-president, said his company wanted to watch the currency's movements for a while longer before deciding if it needed to review its business and restructuring plans; and Mr Toshio Miki, Nippon Steel's vice-president, said only interest rate cuts could stop the yen's rise immediately.

They said the strong yen could hit exports, but could also result in reduced orders from carmakers and other manufacturers whose business is damaged by the currency's strength.

In the case of Sumitomo Metal, for example, for every Y10 the dollar falls, it results in an additional Y5bn deficit in its trade, which comprises imports of raw materials and exports of steel products, the company said.

Nippon Steel said it expected to break even or post a small net loss for the financial year ending this month.

Kawasaki Steel yesterday revised its forecast for unconsolidated earnings in the year to this month, saying it now expected a recurring loss – before extraordinary items and tax – of Y19bn, compared with a previous forecast of a Y18.9bn loss.

The steelmakers see demand for 3m tonnes of steel products stemming from the aftermath of the Kobe earthquake.

Keppel Bank profits climb 29% for the year

By Kieran Cooke in Kuala Lumpur

Keppel Bank, the financial arm of the Keppel group, Singapore's largest conglomerate, has announced pre-tax profits of S$106m (US$74m) for the year ending December 1994, a 29 per cent rise on the figure in the previous equivalent period.

The bank said its performance over the year was "broad based, with enhanced earnings recorded in the core lending as well as non-interest income business of the bank and its subsidiaries".

Keppel's figures show a big increase in total loans – up to S$3.41bn last year from S$2.51bn in 1993. The bank said it would be paying a dividend of 3 Singapore cents a share compared with 2 cents last year.

Keppel Bank has been the star performer in the Keppel group over the last 18 months. In the first six months of last year the bank had a 71 per cent rise in net earnings.

The bank has recently been moving aggressively overseas, particularly into the south-east Asia.

The Keppel group is mainly involved in shipping, engineering, property and financial services. The bank's performance last year is likely to be a key element in the overall results of the group, due to be announced today.

NEWS DIGEST

Hoechst to reward shareholders after surge in earnings

Hoechst, the German chemicals company, has reacted to the sharp surge in profits last year by promising shareholders a significant rise in the dividend, writes Andrew Fisher in Frankfurt. It has also reached agreement with its French pharmaceuticals subsidiary on a substantial cost-saving deal.

The company said yesterday it would recommend a dividend of DM10 a share to the annual meeting in April, up from DM7 last year. This follows a jump of 80 per cent in pre-tax profits to DM2.21bn ($1.57bn), with net income also 80 per cent higher at DM1.36bn. Turnover rose by 8 per cent to DM49.6bn. Capital spending dropped by 13 per cent to DM3.1bn.

Hoechst has benefited from both economic recovery – it said worldwide volume sales were 5 per cent higher in 1995 – and its own cost-cutting efforts.

The deal announced yesterday with Roussel Uclaf, in which Hoechst has a 56 per cent stake, could yield synergies worth DM500m up to 1997, it said.

The companies are setting up a joint management structure in pharmaceuticals under the Hoechst Roussel Uclaf name. This will divide responsibilites regionally and concentrate research and development spending in key sectors.

Securitas pushes profits to SKr392m for year

Securitas, Europe's largest security group, lifted pre-tax profits by 19 per cent to SKr392m ($54m) in 1994 from SKr330m the previous year as operations in Finland, Norway, Spain and Portugal all showed increased profitability, writes Hugh Carnegy in Stockholm.

Acquisitions in Finland, Spain and Portugal helped group turnover rise to SKr6.84bn, up 14 per cent from SKr6bn in 1993. Securitas said underlying sales were unchanged, reflecting a slow recovery from recession in most markets.

However, Securitas said it expected a further improvement in results in 1995 as it anticipated stronger sales growth. It also expects to benefit from a trend towards greater outsourcing of security operations by institutions such as banks, a trend which was already marked in Norway in 1994.

The 1994 figures excluded any contribution from the locks division, which was merged during the year with Abloy Security of Finland to form Assa Abloy, since floated on the Stockholm stock exchange. The 1993 results were also restated to exclude locks.

The annual dividend was set at SKr5.00 a share, compared with SKr4.50 last year.

Indonesian tyre group almost doubles net

Net profit at Gadjah Tunggal, Indonesia's largest tyre producer, almost doubled in 1994 despite an average increase of over 40 per cent last year in the cost of natural rubber, writes Manuela Saragosa in Jakarta.

Its listed subsidiary, Andayani Megah, one of Indonesia's two tyre cord manufacturers, said net profit rose 33 per cent on increased sales.

Gadjah Tunggal's unaudited net profit rose to Rp90bn ($41m) from Rp47bn a year earlier on net sales of Rp487bn. Andayani Megah's net rose to Rp34bn from Rp26bn a year earlier after net sales grew 30 per cent to Rp145bn.

Bauer Verlag shakes up distribution side

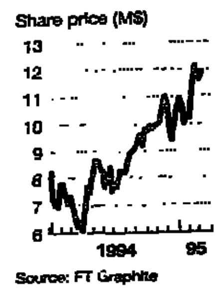
Heinrich Bauer Verlag, Germany's third largest publishing company, has announced a reorganisation of its distribution structure according to product divisions, writes Frederick Studemann in Berlin. This replaces the existing regionally orientated distribution network.

The Hamburg-based company, which had a turnover of DM2.9bn ($2.1bn) in 1993, says it hopes the move will give greater flexibility in Europe's fast-changing media market, in which it has a significant presence with mass selling magazines concentrated in the women's, youth and television listings markets.

While the main focus of Bauer's activities are in Germany, the company also has subsidiaries in the UK, France, Spain and the US.

Bauer Verlag is the most secretive of Germany's big publishing groups. It is privately-owned, with the chief executive, Mr Heinz Heinrich Bauer, holding 96 per cent of the shares.

Malaysian construction group rises to M$91m



Source: FT Graphite

The YTL group, one of Malaysia's biggest construction companies, has reported pre-tax profits for the six months ending December 31 1994 of M$91m (US$36m), a 160 per cent increase on the figure in the previous equivalent period, writes Kieran Cooke. Turnover during the period was M$452m, a 26 per cent increase over the previous year.

YTL has recently diversified into the power generation sector and was the first company to be awarded a licence under Malaysia's ambitious plans to privatise a large portion of its power needs.

Together with John Laing of the UK and Siemens of Germany, YTL is bringing on stream two combined cycle power plants in southern Malaysia at a total cost of more than US$1.4bn. YTL has raised a M$2.66bn loan on the domestic market to part-finance the two projects.

YTL, in partnership with John Laing, is also involved in an extensive private hospital building programme in Malaysia and has announced plans to become involved in various projects overseas, particularly in China and south-east Asia.

Turnover improves 8% at Deutsche Telekom

Deutsche Telekom, the German state-owned telecoms company, had an 8 per cent rise in turnover to DM64bn ($46bn) last year, according to preliminary figures announced by Mr Wilhelm Pillmann, chairman, writes Frederick Studemann.

Telekom made an operating profit of about DM5bn in 1994, but after taxes and transfers to the government of DM5.2bn the company, which is earmarked for privatisation next year, broke even last year. This year Mr Pillmann forecasts a 5 per cent increase in turnover to about DM69bn.

GIO lifts dividend despite setback

GIO, the Australian financial services group, has raised its interim dividend in spite of a big fall in investment income which more than halved earnings in the six months to last December, writes Bruce Jacques in Sydney.

The company yesterday announced a 60 per cent fall in net profit to A$37.3m (US$27.6m) from A$93.9m, on a 14 per cent decline in revenues to A$1.07bn from A$1.25bn

GIO will dip into reserves to lift the interim dividend to 9 cents from 8 cents a share. Mr Bill Jocelyn, managing director, said he was confident of the continuing strength of the underlying business.

Strong US demand helps TI to £153m

By Tim Burt

Increased aircraft orders and buoyant demand in North America helped TI Group, the specialist engineering and aerospace company, exceed market expectations with a 22 per cent increase in *profits*.

The company saw pre-tax profits rise from £125.2m to £153m as its three core businesses – John Crane, Bundy and Dowty Aerospace – enjoyed strong organic growth and higher margins.

An improving performance in all three divisions contributed to operating margins of 11.3 per cent – up 1.4 percentage points – and *generated* sharply increased cash flow, which rose from £97.2m to £155.9m after capital expenditure and reorganisation costs.

In turn, that enabled TI to more than halve its net borrowings from £181.5m to £84.6m, equivalent to gearing of 25 per cent.

"We are now close to being debt free and we're looking keenly at bolt-on acquisitions," *said Sir Christopher Lewinton*, chairman.

Since the year end, those debts have been reduced further following the refinancing of shareholder loans in Messier-Dowty, the group's landing gear joint *venture* with Snecma, the French state-owned aero-engine maker.

Although Sir Christopher refused to indicate which divisions *were planning* acquisitions, he said the group was keen to expand in the Pacific Rim and other emerging markets. Rising demand in those regions helped lift group sales on continuing operations by 7 per cent from £1.32bn to £1.42bn.

The improvement was led by *John Crane*, the industrial seals and polymers business, which increased profits from £61.6m to £72.2m on turnover of £491m (£447.7m).

Sir Christopher Lewinton: looking for acquisitions

Bundy, the tubes and fluid systems division, saw profits rise to a record £58.4m (£46.1m) on sales up from £571.3m to £630m; profits at Dowty Aerospace were up from £25.8m to £30.2m despite flat turnover.

Total to take control of Kalon in paint merger

By Motoko Rich in London and Andrew Jack in Paris

Kalon, the decorative paints group, plans to merge with the paints subsidiary of Total, the French oil group, to form a new company to be listed on the London stock exchange.

It would be the second largest decorative paints producer in western Europe, after the Dutch-based Akzo Nobel, with annual turnover of at least *£520m ($850m) and substantial* positions in France and the UK.

Mr Mike Hennessy, managing director of Kalon, who *would lead the new group*, said: "The coming together of two companies will result in a large and efficient group well equipped to compete in European markets and to enhance shareholder value."

The move is consistent with Total's current strategy of heavy investment and acquisition in its paints *division. Last* year Total acquired the decorative paints division of Manders, which Kalon failed to take over in a hostile bid in 1992.

It is understood that Total agreed to appoint Mr Hennessy as managing director of the combined group because it wanted UK-based leadership for the London listing.

Under the proposal, Total would transfer Euridep, its paints subsidiary, to Kalon, in exchange for new shares in the *UK company, giving Total the* controlling stake.

Total would also make a public offer worth about £62m of up to 44.6m, representing a *third of Kalon's existing shares* at 140p a share. Depending on the take-up, the French group would hold between 51 per cent and 65 per cent of the shares. Kalon shares were suspended at 139p. Kalon wanted the cash *offer to give existing share*holders an exit option.

The UK group will also pay a special dividend of 10p to existing shareholders, at a cost of *£13.4m, and Euridep would pay* a special dividend totalling FFr30m.

The company announced the merger plan as it unveiled 1994 *pre-tax profits up 5 per cent to* £19.6m (£18.8m) on turnover of £157.3m (£142.4).

Following a December trading statement which warned of *a depressed DIY market and* falling retail prices, the figures were as expected.

Novodec, the group's French arm, lifted profits by 25 per *cent. In the main decorative* paints division, however, operating profits were down 1 per cent to £13.1m on flat sales of £96.6m (£96.1m). The retail *paint trade* was badly hit, but sales in the trade paint business rose 14 per cent.

LEX COMMENTS

Barclays uninspired

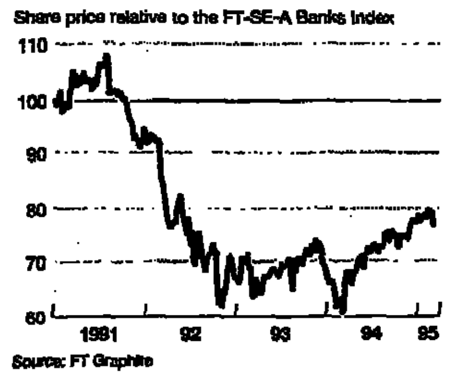
Barclays believes last year was a benign part of the banking cycle. But despite a 180 per cent increase in pre-tax profits, the group's performance was uninspired. The rise was driven almost exclusively by falling provisions and extraordinary profits. That process has probably run its cyclical course. In contrast, under*lying operating income*, excluding dealing profits, dropped 2 per cent.

True, the fall was partly deliberate: Barclays is trying to shed volume. UK lending, which rose an average 5 per cent at the bank's competitors last year, *actually fell* at Barclays by 8.4 per cent. Management is promising long-term earnings growth through quality rather than quantity. By taking on lower risk business and forsaking profits now, Barclays plans to reap the benefits of lower provisions during the next downturn. It hopes that might *solve the problem of matching banks' erratic* earnings with the market's desire for smooth dividend growth.

The problem for investors is that the effectiveness of the strategy will only become *apparent a couple of years hence. Investors are* being asked to make a long-term act of faith in Barclays' ability to pull off something that few, if any, banks in the developed world have ever achieved. Barclays' shares have enjoyed a *significant rerating during the past 18 months.* Dividend growth is likely to be strong, albeit from a low base. But further outperformance is unlikely until the management can prove the validity of its chosen path.

Barclays

Share price relative to the FT-SE-A Banks Index



Source: FT Graphite

De La Rue

De La Rue's statement to the market yesterday was not supposed to be a profits warning, but *was so clumsily formulated that the effect was* far worse.

Buried within the verbiage were three substantive points: a new accounting standard will knock post-Portals profits slightly; Garny in *Germany is faring marginally worse than* expected; and orders for bank-notes are not as *strong as last* year. The net effect of these is not alarming – brokers have had to scale back their earnings estimates for this year and next by 5 to 7 per cent – and yet the share price dropped by 14 per cent.

This fall in price is out of proportion to the scale of the profits disappointment, suggesting that investors believe there is more bad news to come. There is also suspicion about the timing of the announcement. It comes within *weeks of the conclusion of the Portals* bid which involved the issue of some £200m worth of new De La Rue shares. In marketing its offer, the company did mention that the deal would not enhance earnings in the short term. *However* the specific issues which formed the meat of yesterday's statement were not addressed. Some investors doubt management's claims that these negative elements have emerged only recently.

A less cynical *interpretation is that manage*ment has bungled an attempt to correct some brokers' over-optimistic forecasts. The result is that the aura surrounding De La Rue has been punctured and the hefty premium which the *shares have gained in recent years is likely to* be further eroded.

TDG rise boosts shares

Shares in Transport Development Group rose 13p to 197p yesterday after the distribution and hire company announced a 26 per cent increase in pre-tax profits for 1994, despite difficult market conditions, writes Geoff Dyer.

Mr Martin Llowarch, chairman, said the sale of six non-core businesses last year for £46.6m had completed the reorganisation programme begun in 1993.

Mr Alan Cole, chief executive, said margins in the UK had "bottomed out and stabilised" and *might rise to 5 per* cent this year. Profits had also been affected by start-up costs from several new contracts, including DuPont, the US *chemicals group*, and Gerber Foods. Although contracts worth £21m had not been renewed, £30m of new business had been won.

Thorntons lower

A flawed television advertising campaign at Christmas contributed to flat interim results at Thorntons, the chocolate *maker and retailer*.

The operating loss on the French shops increased from £93,000 to £292,000, although the previous figure included *profits from a discontinued* ice-cream business.

Borthwicks warns

Shares in Borthwicks, the natural flavours company, fell 9p to 33½p yesterday after the company warned it would be unlikely to achieve last year's profit. The company blamed the loss of orders in the US, and in the UK the impact of running two plants in parallel for a period and raw material price rises.

The last quarter for the year to April 2 is *normally* the strongest for Borthwicks Flavors USA but this has not happened. It was expected the company's contribution would be £400,000 *lower than last* year.

Kerry

With activities evenly spread between Ireland, Europe and the US, Kerry Group, the food company, reported improvements in its cost base and enhanced competitiveness, increasing operating profits from I£50.2m to I£55.9m.

Group sales increased well in core product sectors, but turnover remained flat at I£883m (I£880m) as a result of the reduction of the company's beef processing operations following the disposal of the Midleton slaughtering plant.

Fisons to refocus on pharmaceuticals

By Jenny Luesby

Fisons yesterday reported a pre-tax loss of £463.7m ($760m) for 1994 and announced its intention to sell its laboratory supplies division and focus on pharmaceuticals.

However, it would be "very pleased" to accept an attractive bid for the pharmaceuticals business as well, said Mr Stuart Wallis, chief executive.

As a mini-conglomerate, Fisons' aspirations had been "out of touch with reality", he said. It was now in talks with "a number of interested par*ties" over the sale of the labo*ratory division, which it estimated could fetch as much as £265m.

Exceptionals included *£278.6m of goodwill written off* on the disposal of scientific instruments. There was also a £220.6m charge mainly for *restructuring the pharmaceuti*cals division.

It intends to close a large part of its manufacturing operation, losing about 1,000 jobs, and *to develop its marketing* network.

Operating profits before exceptional items rose 17 per cent to £75.5m (£64.6m *restated). Pending the reorgan*isation, they would remain at much the same level this year, said Mr Wallis.

The company said yesterday *that a key factor constraining* profitability was the high level of research and development expenditure in relation to the company's "modest position within the industry".

Securiguard buy boosts Rentokil

Rentokil, the environmental and property services group, *reported pre-tax profits up by* more than 20 per cent for the 12th year in succession, writes Geoff Dyer.

The results were helped by *the first full-year contribution* from Securiguard, the security group acquired for £75.7m in July 1993, although the US part had been indifferent *afterthe acquisition and had* taken time to turn round.

Sales in the UK jumped 31 per cent to £323.4m (£246.7m), resulting in profits of £76.9m (£59.7m). A strong performance in Asia Pacific and Africa, with profits up at £35.5m (£30.1m), was held back by management problems in Australia, which Mr Thompson said had been resolved.

Continental Europe had its "second year in a row of disappointing results", with turnover 7 per cent higher at £164.3 (£153.5m). Net cash *increased from £15.6m to £67m* and net interest income amounted to £2.3m (£3m).

ICL to enter home PC market

ICL, the computing company, is to enter the fast-growing *European market for home per*sonal computers with a range of multimedia machines to be sold through high-street retailers, writes Paul Taylor.

The move will be backed by a £15m advertising campaign starting today.

ICL hopes to boost its share of the European PC market and become one of the top *four* suppliers within three years.

ICL, 85 per cent owned by Fujitsu of Japan, will sell a range of dual-branded Fujitsu ICL multimedia PCs including CD-Rom drives and stereo sound cards. In addition it is launching an PCTV machine – combining a multimedia machine and a 14-inch Nicam stereo television in one unit.

T&N revises terms of its offer for Kolbenschmidt

By Tim Burt

T&N, the motor components and engineering group, yesterday stepped up its campaign to win control of Kolbenschmidt, one of Germany's leading piston *manufacturers, by submit*ting a revised bid to the country's takeover authorities.

The company, which is today expected to announce sharply improved *full-year profits, said* the manoeuvre would give the cartel office in Berlin another four months to consider the *deal*.

By extending the deadline for T&N to make fresh submissions on its proposed DM282.6m takeover, the cartel *office is thought to have* ignored protests from Kolbenschmidt.

The German components group had hoped the cartel *office would confirm last* month's preliminary ruling, in which it warned that it would probably reject T&N's bid.

That persuaded the UK group to draw up plans for a revised bid that would force the cartel office to reconsider the offer.

T&N *also announced* the FFr250m acquisition of Sintertech, the French powder metallurgy subsidiary of Pechiney, the French packaging and met*als group, and Usinor Sacilor*, the steel manufacturer.

All-round growth helps CRH advance by 52%

CRH, the Dublin based building materials group, reported a 52 per cent increase in pre-tax profits for the year *to* December 31 reflecting strong growth across all geographic sectors, writes John Murray Brown.

Mr Don Godson, the chief *executive, said the company* experienced increased activity in "nearly every market". However he said he expected some slow down in 1995 due to higher interest rates.

Recovery was strong in the Irish Republic, reflecting improved market conditions where cement sales grew by 15 per cent. In the UK, the performance was more patchy.

In continental Europe, CRH's subsidiaries took advantage as economies moved out of recession. The US saw a buoyant recovery, particularly in the *residential sector which* grew by 10 per cent on the back of the strong recovery in sales in 1992-3.

The company obtains a third of trading profits in the US, with Ireland still the largest contributor at 37 per cent.

Dailywin lowers its placing ambitions

Dailywin Group's London flotation was finalised yesterday, pricing the shares at 128p to value the Hong Kong-based watchmaker at £15.4m.

The placing will raise £1.8m net of expenses, which will be used to finance expansion in China. But the group's ambitions have been scaled back – at the beginning of last month was aiming to raise £2.6m and was expected to be valued at about £20m.

Garny fall hits De La Rue

By Christopher Price

Shares in De La Rue tumbled *14 per cent* yesterday after the security banknote printer warned of a "further deterioration in profitability" at its German subsidiary. The company *also reiterated the dilutive* effect on earnings of its recent takeover of Portals, the specialist paper group.

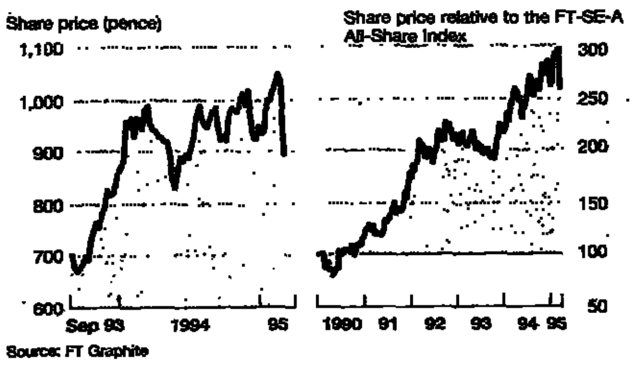
Mr Jeremy Marshall, chief *executive, said* that Garny, which supplies equipment to the German security industry, was experiencing tough trading conditions which were *eroding margins. Profits*, which last year were £10m, ($16m) are expected to be halved at the March 31 year end.

"Garny *remains a very prof*itable business centre, but the bonanza the company gained after reunification has given way to greater competition," said *Mr Marshall. He added* that management restructuring and recent cost-cutting should improve the situation in the medium-term.

De La Rue said the acquisition of Portals, which cost £682m in December, would not enhance earnings until 1997, and that only "modest growth" would be *achieved* in the first full year after the purchase in 1995-96.

The company also put Portals' non-security papermaking businesses up for sale, which it is thought could raise in excess of £200m. The largest of these is the JR Crompton group, which makes tea bags. Its turnover last year was about £42m.

De La Rue



Source: FT Graphite

RESULTS

		Turnover (£m)		Pre-tax profit (£m)		EPS (p)		Dividends: Current payment (p)	Date of payment	Corresponding dividend	Total for year	Total last year
Baltic	Yr to Dec 31	12	(14)	7.79	(4.38)	18.5	(7.3)	2	Apr 28	1	3	1.5
Barclays	Yr to Dec 31	-	(-)	1,859	(661)	72.4	(19.2)	13	May 16	8.65	21	15.15
Brent Intl	Yr to Dec 31	128	(124)	8.01	(7.14♠)	6	(3.2)	2.6	Apr 24	2.4	4.2	4
Canadian Pizza	Yr to Dec 31	15.6	(17.9)	2.33	(3.22)	9.4	(12.9)	3.6	May 10	3.6	6	3.6
CRH ♣	Yr to Dec 31	1,613	(1,427)	116.1	(76.5)	26.41	(19.77)	5.6	May 8	4.96	8.1	7.23
Fisons	Yr to Dec 31	1,289	(1,324)	463.7L♠	(0.7L♠)	69.8L	(3.5L)	2.6	July 3	1	4.3	4.3
Ind Insurance	Yr to Dec 31	279.3‡	(215.7‡)	23	(15.8)	36	(35.2)	5.5	May 31	4.75	9.5	8.25
Kalon	Yr to Dec 31	157.3	(142.4)	19.6	(16.8)	10.08	(8.88)	3	May 1	2.9	4.5	4.2
Kerry ♣	Yr to Dec 31	882.7	(879.9)	39.7	(35)	20.5	(18.5)	1.86	May	1.69	2.86	2.6
MAID	Yr to Dec 31	8.89	(5.72)	1.29	(0.603)	1.14	(0.69)	-	-	-	-	-
Merivale Moore	6 mths to Dec 31	8.04	(5.09)	0.852	(0.133)	3.68	(0.65)	1.25	Apr 21	nil	-	2
Micro Focus	Yr to Jan 31	89.9	(83.8)	8.72♠	(21.8)	32	(104.3)	-	-	-	-	-
Microvitec §	Yr to Dec 31	44.1	(35.2)	2.58♠	(1.61♠)	3	(2.1)	0.4	July 1	nil	0.4	nil
My Kinda Town	6 mths to Jan 1	12.7	(11.3✝)	1.33	(0.676)	0.4	(0.2)	0.1	Apr 28	-	-	-
Parity	Yr to Dec 31	88.6	(19.8)	4.18	(0.228L♠)	7.19	(1.88L)	1	July 6	nil	1.75†	1.5
Partco	Yr to Dec 31	136.4	(124.3☆)	6.22	(3.87)	16.6	(10.1)	4.2	Apr 28	-	6.2	-
Polypipe	6 mths to Dec 31	84.7	(80.6)	9.31	(7.45)	3.98	(3.2)	0.81	Apr 25	0.71	-	2.3
Rentokil	Yr to Dec 31	719.6	(588.1)	177	(147)	11.74	(9.71)	2.44	May 30	2.01	3.45	2.85
SMP §	6 mths to Dec 31	3.42	(4.43)	0.51L	(0.11)	1.4L	(0.3)	-	-	-	-	0.2
TI	Yr to Dec 31	1,420	(1,393)	153♥	(125.2)	22.5	(18.1)	7.95	May 25	7.4	12	11.25
Thorntons	28 weeks to Jan 7	58.4	(58.7)	9.62	(9.58)	9.83	(9.82)	1.5	Apr 28	1.45	-	4.9
Trade Indemnity	Yr to Dec 31	152‡	(145‡)	5	(5.83♠)	2.2	(4.5)	0.6	July 1	0.5	1	0.5
TDG	Yr to Dec 31	498.5	(549.6)	33.9♥	(26.9♠)	15.52	(9.63)	6.5	May 5	6.5	9.5	9.5

Investment Trusts		NAV (p)		Attributable Earnings (£m)		EPS (p)		Current payment (p)	Date of payment	Corresponding dividend	Total for year	Total last year
BZW Convertible	6 mths to Jan 31	109.79	(116.26★)	2.03	(1.94)	3.96	(3.84)	1.5	Apr 20	1.5	-	7.8
Perpetual Japanese	6 mths to Jan 31	87.08	(101.3)	0.153L	(0.097)	0.42L	(0.26)	-	-	-	-	-
Smaller Companies	Yr to Dec 31	130.9	(146.4)	1.54	(0.817)	3.14	(3.04)	1.55	Apr 25	1.4	2.75	2.6

Dividends shown net. Figures in brackets are for corresponding period. ♠After exceptional charge. ♥After exceptional gain. ♣Irish currency. ‡Gross written premiums. ✝Comparisons pro forma. †On increased capital. §USM stock. ☆Comparisons restated. ★As at July 31. ♦Second interim; makes 3p to date.

UK ELECTRICITY REGULATION – Littlechild's big shock

■ WHAT'S NEXT

Long and winding road of appeals

By Robert Rice

Professor Stephen Littlechild's announcement that he is considering further electricity price controls from April 1996 appears to leave regional electricity companies with little room for manoeuvre.

Offer said yesterday that if after consultation with the companies Prof Littlechild decides to proceed with further price curbs next year, he will make his final proposals known by the end of June. If the companies refuse to accept the further amendment to their supply licences or regulator refuses to water down his proposals, then he may refer the matter to the Monopolies and Mergers Commission for determination. The companies themselves lack the power to refer the issue to the MMC.

Price controls announced last August are already the subject of an MMC inquiry involving Scottish Hydro Electric, the only one of the 14 electricity suppliers not prepared to accept price cuts of between 11 per cent and 17 per cent due to come into effect next month.

The MMC has been asked to report by May. The Commission inquiry is focused on whether existing price controls work against the public interest.

If the MMC concludes that the price regime is against the public interest, Prof Littlechild is empowered to impose his proposed price controls. If Scottish Hydro still disputes the issue, it can seek a judicial review. The MMC has been judicially reviewed on 10 occasions but has never lost.

If the MMC decides against the regulator, he must consider its recommendations before modifying the relevant licence conditions, but by implication he is not bound to follow them. Any decision to refer an issue to the MMC is subject to a veto by the trade and industry secretary.

Furious investors assail 'false prospectus'

By Peggy Hollinger

Institutional investors yesterday accused the UK government of withholding information to ensure the success of its £4bn sale of shares in the power generators, National Power and PowerGen.

They said the government should have made clear in the share sale prospectus that the regulator had the power to alter the five-year price review set last year.

"Institutions feel they have been sold a completely false prospectus," said one investor.

"It appears that someone overlooked the fact that the closing date for the generators offer preceded the end of the pricing consultation period," said another. "That was negligence and is serious."

Some institutions were even believed to be threatening not to pay the first instalment on the National Power and PowerGen partly paid shares.

The intense institutional anger followed comments from Professor Stephen Littlechild, the electricity regulator, that the Treasury had known about his plans to consider imposing tighter price controls on the regional electricity companies.

His statement on price controls came just 24 hours after the shares purchased in the £4bn offer began trading.

Partly paid National Power shares, offered at 180p to institutions, closed down 10p at 176½p. PowerGen, sold to institutions at 195p, closed 9p lower at 189½p. Private investors who bought the shares at a 10p discount in the retail offer are still showing a modest profit. National Power's fully paid shares fell 18½p to 438p, while those of PowerGen closed 22½p lower at 468½p.

The Treasury sought to calm nerves by issuing a statement saying Prof Littlechild's comments had no relevance to the generators. It claimed it had not known about the statement until late yesterday afternoon.

Institutions dismissed this as no excuse for what, they claimed, came dangerously close to insider dealing.

"If any private investor had done this he would be up before the beak pretty quick", said one institution.

"The definition of price sensitive information is information which has an impact on prices," said another. "No matter what they protest, there is no getting away from the fact that this has had an impact on prices."

US institutions, which were among the largest subscribers to the issue, were believed to have complained strongly to the Treasury. "This would not have happened in the newest of emerging markets," said one.

Institutions were equally incensed by Prof Littlechild's decision to issue the statement without specifying any details of how and when a tighter regime would be introduced. "At the moment all he has done is drop a bomb the day after the government sold its stake in the generators. It is unbelievable," said one.

Institutional outrage was also fuelled by the fact that shares in almost all utilities fell after Prof Littlechild's Water, as well as electricity, shares fell sharply after the announcement.

Prof Littlechild's comments were seen to have marked a turning point in the institutional view of utilities as safe, solid investments.

Institutions were focusing on the difficulty of valuing utilities in light of the latest regulatory statements. "For the last six months it has been a one-way ride with the recs, with the regulator saying everything was all right," said one. "Then suddenly everything changes and who is to say it won't change again? It is like trying to play football on a cross channel ferry in a Force 10 gale."

Others were more sanguine and said the comments merely accelerated a process which was due to happen within six to nine months.

"Investors were saying they would have to start factoring in political risk later this year. They will just start the process earlier," said one analyst.

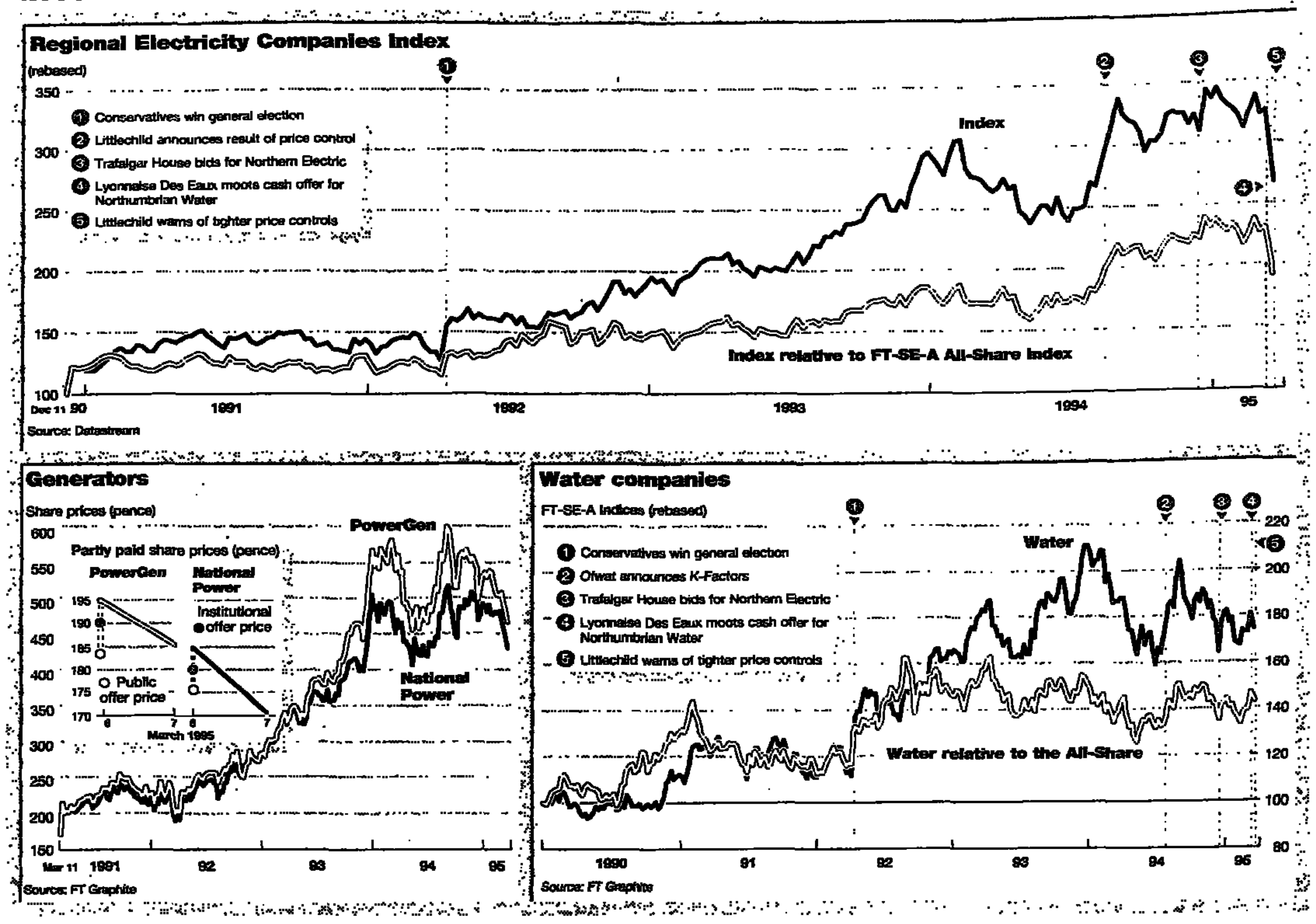
Investors attacked what they called the capriciousness of the UK regulatory system. "This is not the way regulators should behave", said one. "He has changed dramatically in a short time. When you have a maverick out there you don't know what he is going to do next."

Some institutions, however, felt that the lessons of investing in regulated industries should have been apparent for some time. "I suppose I have to ask will we never learn?" said Mr David Manning, UK equities director at Legal & General. "With every privatisation issue - gas telecoms and water - the regulator comes along and moves the goal posts. It is a bit like running up the down escalator."

Another institution – which did not take shares in the issue – suggested that investors should have read the prospectus more carefully. "The one thing it made clear above all was that the significant risk to PowerGen and National Power was regulatory," he said.

"It is a little perverse for buyers to cry foul when the regulatory risk materialises."

Wrecked ?



■ POLITICS

Investors 'conned' says Labour

By Kevin Brown and John Mason

Labour accused ministers of cheating shareholders in National Power and PowerGen by failing to inform investors that the Office of Electricity Regulation was considering a clampdown on prices.

Mr Jack Cunningham, Labour's trade and industry spokesman, said the government had "conned" sharebuyers by not revealing that Professor Stephen Littlechild, the electricity regulator, had notified ministers of his intentions.

"The government must have been aware of what was going on in Offer. They went ahead with their sale, I am sure, in the knowledge that Professor Littlechild would do what he has done," said Mr Cunningham.

"There must be hundreds of thousands of people, and people in institutions, who feel frankly that they have been deliberately misled by the government, and cheated as a result."

Mr Tim Eggar, the energy minister, said discussions had taken place before the announcement, between Offer and the Department of Trade and Industry, but denied that the government was aware of Professor Littlechild's intentions.

"There were a number of discussions that had taken place going back over a number of months with Offer, but what really matters is the actual decision, which was communicated to us towards the end of yesterday afternoon," he said.

In the Commons, Mr John Major, the prime minister, firmly rejected calls by Mr Tony Blair, the Labour leader, for a review of the regulatory regime for all the privatised utilities to "make sure that the same abuses are not happening in gas and water".

Mr Blair said that Professor Littlechild acted only after a the current takeover bid by Trafalgar House for Northern Electric exposed the scale of "excess profits" made by the regional electricity companies.

Mr Major said Offer's action showed that the regulatory system was flexible and was working. Senior officials said that the prime minister retained "full confidence" in Professor Littlechild.

Downing Street said sharebuyers were aware of the possibility of changes in the regulatory regime before the sale of shares in the generating companies. "They are perfectly well aware that the regulator is independent, that he does not act at the government's behest," a senior official said.

Conservative MPs were divided between praising Offer for acting in the interests of consumers and concern that the announcement revealed the laxity of the regime put in place by Professor Littlechild last year.

Mr David Harris, Tory MP for St Ives, said: "I am all in favour of regulators flexing their muscles – that is what is required."

But Mr John Butcher, a former industry minister, said it indicated that last year's examination of the electricity companies' books had not been rigorous enough.

Most Tory backbenchers were prepared to shrug off the impact of Offer's announcement on National Power and PowerGen, saying it proved the regulator's independence from government.

■ LITTLECHILD'S STATEMENT

'Widespread public concern over planned price controls'

The full text of the statement by Prof Stephen Littlechild, director general of the Office of Electricity Regulation:

In view of information that has emerged, particularly in the course of the bid by Trafalgar House for Northern Electric, I consider it appropriate to make the following statement.

After reviewing the price controls on the distribution businesses of the regional electricity companies (recs), I made outline proposals to the recs on August 11 last year, requesting their response by September 30. After the companies accepted, my staff began discussions on how to embody these outline proposals in licence modifications, with a view to making agreed licence modifications under Section 11 of the Electricity Act 1989, to take effect from April 1 1995.

I advertised the proposed modifications on February 10, specifying a period until March 11 1995 within which representations and objections with respect to them might be made. Before making such modifications, the Act requires me to consider any representations or objections which are duly made and not withdrawn.

In addition to considering representations and objections, it is important for me to consider all relevant evidence since making my proposals in August.

In particular, I need to consider the subsequent movements in stock market prices, the terms of the bid by Trafalgar House for Northern Electric, and the associated bid documents including the final defence document issued by Northern Electric on February 17. It is also relevant to take into account what appears to be widespread public concern about whether the price control proposals are sufficiently demanding on the recs and whether they represent an appropriate balance between the interests of customers and shareholders. The Electricity Act gives me duties, including a duty to protect the interests of consumers of electricity in respect of the prices charged. I intend to discharge those duties fully. I also consider it important that there be general confidence in the regulatory regime. I therefore need to look at these issues further.

The licence modifications I have advertised are designed to come into effect on April 1. The period between now and then is not long enough to enable me to reach a firm view on how things should stand for the next five years. I am therefore minded, subject to any representations I receive, to implement the changes currently in train, but thereafter to consider with interested parties including the recs whether there should be a further tightening of the price control from April 1 1996.

As a consequence, there must be an opportunity for representations to be made as to whether I should proceed with the advertised modifications. Furthermore, the recs need an opportunity to consider their consent to these changes. I therefore intend to extend until March 17 the period within which representations and objections with respect to the proposed modifications may be made. I would then aim to decide before March 24 1995 whether to proceed with the advertised price control, and whether to consider a further tightening of the control. If I decide to consider such a tightening, I should aim to make a proposal by the end of June.

MARKET REPORT

Aluminium falls again as supply cut hopes knocked

London Metal Exchange **ALUMINIUM** prices fell sharply during afternoon trading as a volatile market lost all of the morning's hard-won gains in nervous trading.

Traders said aluminium remained susceptible to adverse developments on the supply-side and news that Russia favoured lower targets for production cuts under the internationally-agreed Memorandum of Understanding did little to help sentiment.

The three months delivery price retreated from levels just above $1,860 a tonne at midsession to $1,810, adding $48 to Monday's $50 fall.

Aluminium's weakness prevented other metals from building on midsession stability encouraged by across-the-board falls in LME warehouse stocks. Charts were also unhelpful, traders said.

COPPER prices paused after running up to nearly $2,900 a tonne for three months delivery, and prices slipped back to finish the after hours "kerb" session at $2,874, a $5 loss. The cash/three months premium also narrowed, finishing at $6, compared with $9-$10 on Monday.

Rises in precious metals prices showed that "the problems of the world financial situation are beginning to show through," a dealer said.

LME WAREHOUSE STOCKS
(As at Monday's close)
tonnes

Aluminium	-16,475	to 1,349,650
Aluminium alloy	-140	to 28,800
Copper	-3,150	to 270,550
Lead	-425	to 311,025
Nickel	-702	to 131,190
Zinc	-7,875	to 1,081,850
Tin	-20	to 24,870

The London **GOLD** price closed $3.60 up at $382 a troy ounce, while **PLATINUM** gained $8 to $415 an ounce and **SILVER** 11 cents to $4.53¼ an ounce.

As the value of the dollar continued to slide further gains were seen at the New York Commodity Exchange (Comex), where April gold futures reached a six-week high of $385.50 an ounce, up $5.30, at mid-session.

Meanwhile May delivery silver rose 17.7 cents to $4.68 an ounce. Dealers noted that the rise had virtually erased last week's heavy losses.

The dollars plunge also buoyed Chicago **GRAIN** and **SOYABEAN** futures, as well as the New York **COCOA** market, where the May delivery contract was up $10 at $1,431 a tonne at midday.

The London Commodity Exchange's sterling-denominated cocoa futures was also dominated by the currency factor, traders said. The May position closed at £1,019 a tonne, up £5 on the day, helped by sterling's weakness.

LCE robusta **COFFEE** futures held on to modest gains after retreating from afternoon highs in thin, choppy trade. The prompt May position ended up $16 at $3,189 a tonne while March held a steady premium at $3,223, up $5 from Monday's close.

Traders said there had been some investment fund buying in London but added that volume remained light, leaving prices vulnerable to exaggerated fluctuations.

Compiled from Reuters

Newfoundland's sealers plan comeback

Interest has been revived by the devastation of cod stocks, writes **Bernard Simon**

A decade after being devastated by animal-rights protests, Newfoundland's seal industry is planning a comeback. If its efforts are successful, the world will be hearing a lot more in future about such products as seal salami, seal pot pies, seal-oil capsules and sealskin briefcases.

Interest in seals' commercial potential has been spurred by the virtual disappearance of cod stocks in the north-west Atlantic.

About 30,000 fishermen and fish-plant workers have lots their jobs in Canada's Atlantic provinces; Newfoundland's unemployment rate has soared to over 20 per cent.

Governments at all levels have launched a near-desperate search for business ventures with the potential to cut swollen unemployment insurance and welfare rolls, and prevent the disintegration of centuries-old fishing communities.

Seals are an obvious target. The east coast seal population was estimated at 3.1m in 1990, with another 700,000 being born each year. While seals are voracious fish eaters, their only natural predators are polar bears. Commercial sealers have killed fewer than 60,000 harp seals annually over the past five years, which is about a third of the allowable harvest set by the Canadian government.

Several dozen Spanish trawlers have heeded Ottawa's warnings to stop catching turbot in the north-west Atlantic just outside Canada's 200-mile fishing zone, Canada's fisheries minister Mr Brian Tobin said yesterday, writes Bernard Simon in Toronto.

In spite of strong protests from the European Union, Canada has threatened to seize the Spanish vessels as well as some Portuguese boats if they continue to catch turbot, also known as Greenland halibut. The EU has warned that it will retaliate. According to Canadian authorities, Portuguese vessels were still fishing in the area yesterday but not for turbot.

But a Portuguese fisheries official accused Canadian military ships and helicopters of creating an "environment of terror and intimidation" on the Grand Banks off the coast of Newfoundland.

Although the Spanish and Portuguese vessels are in international waters, Canada alleges that they have far exceeded quotas set by the North-west Atlantic Fisheries Organisation.

Interest in turbot has increased with the virtual disappearance of cod stocks off Canada's east coast. Mr Tobin is under pressure from hard-hit fishing communities in Newfoundland and Nova Scotia to curtail the activities of foreign trawlers both in and outside the 200-mile fishing zone.

"The reality is that there is an abundant resource which can be harvested without even making a dent in the population," says Mr Jean-Eudes Haché, a senior adviser in the federal department of fisheries in Ottawa.

Exploitation of the resource has until recently been inhibited by fears of a repetitition of the anti-sealing protests that erupted in the early 1980s. Gory pictures of Newfoundlanders clubbing cuddly, white-coated seal pups to death on the ice galvanised an international boycott of seal pelts. Animal-rights groups continue to keep a close eye on the seals. They mounted another brief protest last year when news surfaced that Newfoundland was exporting seal penises to China for use as an aphrodisiac.

Sealers and government officials remain nervous. The slaughter of white-coat or blue-back seals has been banned. Inexperienced sealers will soon be required to attend seminars on humane killing and handling methods.

Nevertheless, concern about public opinion abroad is gradually giving way to the more immediate problem of Atlantic Canada's economic plight.

The federal government earlier this month allowed residents of fishing communities in Newfoundland, Nova Scotia and Quebec to augment their food supplies by killing up to six seals each. Ottawa has agreed to pay a 20 cent a pound subsidy for seal meat offered on the market. The harp seal harvest will be extended to "a few hundred" grey seals, which will be used for a trial processing and marketing project.

Research into seals' commercial potential has accelerated in recent years. Mr Mark Small, president of the Canadian Sealers Association, says that "we're trying to develop a new industry based on use of the whole animal. We're not aiming at the fashion world any more".

The fledgling industry's hopes rest on the discovery that seal meat and seal blubber have unusual nutritional properties. According to Dr Fereidoon Shahidi, professor of biochemistry at Memorial University in St John's, Newfoundland's capital, seal blubber is high in unsaturated fats, and its chemistry is more stable than fish oil. Seal meat is rich in vitamins and iron. "It tops almost any kind of meat that I have looked at," he says.

Dr Shahidi says that a colourless, seal-based protein supplement, which has already been developed, could be added to crackers, bread, or drinks for people with digestive-tract problems, including AIDS patients.

A handful of Newfoundland firms are test-marketing seal oil capsules (similar to cod-liver oil), seal salami and vacuum-packed seal meat in other parts of Canada and abroad. A process has been developed to alter the meat's very dark colour into a more acceptable, hamburger-like pink.

According to Mr Small, the pelts of almost all 61,000 seals harvested last year have been turned into leather products, such as wallets and briefcases. China is the biggest market.

The Newfoundland government hopes that revenues from seal products will rise from a meagre C$1m last year to C$10m by 1997. Even that figure however, would be less than the C$13m earned in the peak year of 1980 when seal pelts were still fashionable.

The work to turn sealing into a viable, multi-faceted industry remains at an early stage. The legacy of the animal-rights protests still casts a shadow over the future.

Dr Shahidi says that some potential financial backers have been scared off by the earlier controversies. "If the emotional barrier was not there, I think it could be a very successful product," he says.

Russian diamond sales attacked

By Kenneth Gooding, Mining Correspondent

Russia exported more than US$2bn worth of rough (uncut) diamonds last year, well in excess of its production, officially estimated to be worth $1.2bn, said Mr Gary Ralfe, managing director of De Beers' Central Selling Organisation, yesterday.

He complained that Russia sold about $1.05bn of the diamonds in contravention of its contract with the CSO. Mr Ralfe said this was making a mockery of De Beers' diamond cartel, which controls about 80 per cent of world trade in rough diamonds, and was unfair to other producers who supported the so-called "single channel marketing system".

The consolation was that Russia's diamond stocks were being depleted at a rapid rate.

Mr Ralfe confirmed that talks between De Beers and the Russian authorities about the renewal of Russia's contract with the CSO – which ends in December – had stalled and blamed "political reasons". However, De Beers had been talking directly with the Siberian Republic of Sakha (previously known as Yakutia) which produces about 98 per cent of Russia's diamonds. Analysts suggested these discussions with Sakha indicated that De Beers' relationships with Komdragnet, the organisation responsible for Russia's diamond production and sales, had worsened.

The Russian problem overshadowed positive news about diamond retails sales during presentations by De Beers when it revealed its annual financial results yesterday. Mr Jeremy Pudney, the CSO's marketing director, estimated that world diamond jewellery retail sales rose by 4 per cent last year from the 1993 level to US$45bn.

The increase was driven by a buoyant US market where sales are estimated to have increased by 8 per cent to $13bn. Sales in Japan and Europe were also "rather better than expected".

Mr Pudney said the outlook for diamond jewellery sales this year remained good.

Shrinking demand in China and Russia seen hitting sugar prices

By James Harding

The recent recovery in sugar prices was under threat from shrinking import demand in China and Russia in the near future and higher than expected world production in the long term, the International Sugar Organisation said yesterday.

The considerable improvement in production expectations is reflected in the revision of the ISO's forecast for the 1994-95 world sugar deficit down to 700,000 tonnes from the 1.9m tonnes envisaged three months ago.

Increased production expectations for Brazil, Australia, India and Thailand, in particular, had taken the pressure off the market and a downward drift in prices was now considered possible, according to the ISO's monthly report.

In the longer term, current prices might encourage producers to expand, although that of course would depend on the weather. Nevertheless, the ISO believed that the sugar balance could go into surplus in 1995-96 resulting in downward pressure on prices towards a 10 cents per pound level, as measured in International Sugar Agreement prices.

China, which had often sustained international prices with large orders, was importing to make up a deficit in production, not to meet increasing consumption requirements, according to the report. Considering the amount of sugar already received or on its way to Chinese ports, international exporters might have already met a large part of Chinese import demand.

"However, inquiries for China have been evident and in abundance and the possibility of the danger of over-buying similar to Russia in 1993 and India in 1994, or greater than anticipated re-export, should not be ruled out."

The Russian market, which had been depressed for nearly 18 months, offered little potential to sugar exporters, the ISO said. Domestic prices made the straight import of white sugar uneconomic and the possibilities of importing raw sugar were limited by the delayed implementation of the government-to-government deal with Cuba.

"In any case," said the report, "it is premature to anticipate either '80s style [Russian] purchase inquiries for hundreds of thousands of tonnes of sugar with spot delivery, or massive panic buying by private traders.

COMMODITIES PRICES

BASE METALS

LONDON METAL EXCHANGE
(Prices from Amalgamated Metal Trading)

■ ALUMINIUM, 99.7 PURITY ($ per tonne)

	Cash	3 mths
Close	1782-3	1818-9
Previous	1829-30	1864.5-6.5
High/low	1814.5/1814	1861/1810
AM Official	1814-5	1850-50.5
Kerb close		1816-7
Open int.	227,244	
Total daily turnover	77,197	

■ ALUMINIUM ALLOY ($ per tonne)

Close	1800-05	1820-25
Previous	1825-35	1855-65
High/low		1850/1820
AM Official	1810-12	1835-40
Kerb close		1815-25
Open int.	2,784	
Total daily turnover	374	

■ LEAD ($ per tonne)

Close	573-4	588-9
Previous	585-7	600-2
High/low	579	593/585
AM Official	578-9	592-3
Kerb close		584-5
Open int.	39,116	
Total daily turnover	11,365	

■ NICKEL ($ per tonne)

Close	7460-85	7600-25
Previous	7585-605	7725-35
High/low	7600	7760/7525
AM Official	7600-10	7748-50
Kerb close		7640-50
Open int.	68,325	
Total daily turnover	13,120	

■ TIN ($ per tonne)

Close	5285-95	5385-90
Previous	5240-50	5330-40
High/low	5320	5450/5370
AM Official	5325-30	5430-35
Kerb close		5360-70
Open int.	20,012	
Total daily turnover	4,670	

■ ZINC, special high grade ($ per tonne)

Close	1018-9	1044-5
Previous	1032-3	1057-8
High/low		1052/1038
AM Official	1022.5-23	1047.5-8.0
Kerb close		1039-40
Open int.	100,738	
Total daily turnover	27,563	

■ COPPER, grade A ($ per tonne)

Close	2877-78	2873-4
Previous	2897-8	2882-3
High/low	2895/2893	2890/2868
AM Official	2892-3	2884-5
Kerb close		2872-4
Open int.	234,699	
Total daily turnover	56,527	

■ LME AM Official £/$ rate: 1.6240
LME Closing £/$ rate: 1.6365

Spot:1.6436 3 mths:1.6421 6 mths:1.6390 9 mths:1.6353

■ HIGH GRADE COPPER (COMEX)

	Close	Day's change	High	Low	Open int	Vol
Mar	136.75	+0.55	136.95	135.10	7,287	1,121
Apr	134.10	+0.60	134.20	134.20	1,620	35
May	132.90	+1.00	133.00	131.00	22,271	8,701
Jun	131.40	+1.30	-	-	591	16
Jul	129.85	+1.15	129.90	128.60	4,971	495
Aug	128.20	+1.20	-	-	377	4
Total					45,988	10,521

PRECIOUS METALS

■ LONDON BULLION MARKET
(Prices supplied by N M Rothschild)

Gold(Troy oz)	$ price	£ equiv	SFr equiv
Close	381.80-382.20		
Opening	378.80-379.20		
Morning fix	379.00	233.346	443.582
Afternoon fix	382.00	235.396	445.259
Day's High	382.30-382.70		
Day's Low	378.50-378.80		
Previous close	378.20-378.60		

Loco Ldn Mean Gold Lending Rates (Vs US$)

1 month	4.30	6 months	5.05
2 months	4.50	12 months	5.51
3 months	4.68		

Silver Fix	p/troy oz.	US cts equiv.
Spot	279.55	453.95
3 months	283.20	458.95
6 months	288.05	465.85
1 year	299.25	481.65

Gold Coins	$ price	£ equiv.
Krugerrand	380-383	233-236
Maple Leaf	392.80-395.25	-
New Sovereign	87-90	53-56

Precious Metals continued

GRAINS AND OIL SEEDS

SOFTS

	Close	Prev
BFI	2083	2072

■ ORANGE JUICE NYCE (15,000lbs; cents/lbs)

Mar	92.60	-0.50	95.00	92.40	542	495
May	97.40	-	99.10	96.85	14,867	1,811
Jul	101.45	+0.20	103.35	101.00	4,857	210
Sep	104.55	-0.45	107.00	104.50	3,930	273
Nov	104.55	-0.95	105.00	105.00	1,966	111
Jan	107.00	-0.75	107.60	107.60	1,223	18
Total					27,570	2,859

MEAT AND LIVESTOCK

ENERGY

Minor Metals
European free market, from *Metal Bulletin*, $ per lb in warehouse, unless otherwise stated (last week's in brackets, where changed). **Antimony**: 99.6%, $ per tonne, 4,600-4,870 (4,700-5,100). **Bismuth**: min. 99.99%, tonne lots 3.40-3.60. **Cadmium**: min. 99.5%, 130-140 cents a pound. **Cobalt**: MB free market, 99.8%, 28.70-29.50 (29.00-29.80); 99.3%, 26.50-27.20 (27.00-27.80). **Mercury**: min. 99.99%, $ per 76 lb flask. 130-150. **Molybdenum**: drummed molybdic oxide. 13.50-16.00 (13.50-15.00). **Selenium**: min 99.5%. 3.40-4.35. **Tungsten ore**: standard min. 65%. $ per tonne unit (10kg) WO_3, cif, 59-70 (58-70). **Vanadium**: min. 98%, cif, 4.60-4.80 (4.55-4.85). **Uranium**: Nuexco exchange value, 7.25.

VOLUME DATA
Open Interest and Volume data shown for contracts traded on *COMEX, NYMEX, CBT*, NYCE, CME, CSCE and IPE Crude Oil are one day in arrears.

INDICES

■ REUTERS (Base: 18/9/31=100)

Mar 7	Mar 6	month ago	year ago
2325.8	2337.2	2235.8	1798.0

■ CRB Futures (Base: 1967=100)

Mar 6	Mar 3	month ago	year ago
233.07	232.11	231.95	226.14

LONDON TRADED OPTIONS

■ BRENT CRUDE IPE	Apr	Jul	Apr	Jul
1650	47	69	2	57
1700	15	47	18	85
1750	2	32	57	120

LONDON SPOT MARKETS

■ CRUDE OIL FOB (per barrel/Apr) +or-

Dubai	$16.49-6.59z	+0.085
Brent Blend (dated)	$16.79-6.82	+0.05
Brent Blend (Apr)	$16.88-6.92z	+0.05
W.T.I. (1pm est)	$18.60-8.62	+0.05

■ OIL PRODUCTS NWE prompt delivery CIF (tonne)

Premium Gasoline	$173-175	+1
Gas Oil	$147-148	
Heavy Fuel Oil	$107-109	
Naphtha	$171-173	
Jet fuel	$168-170	-1.6
Diesel	$150-152	-0.5

Petroleum Argus. Tel. London (0171) 359 8792

■ OTHER

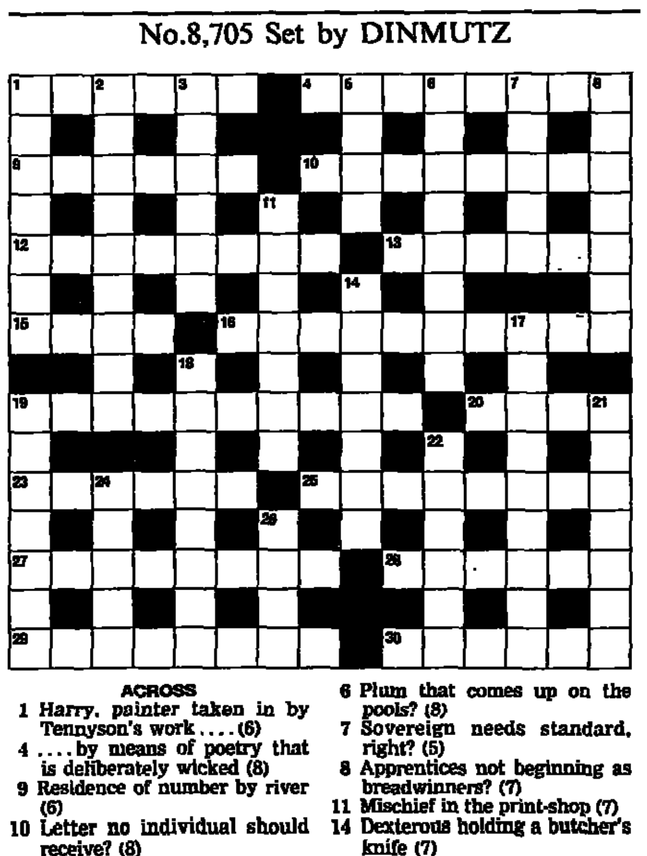
Gold (per troy oz)♣	$382.00	+9.5
Silver (per troy oz)♣	453.50c	+11.0
Platinum (per troy oz.)	$415.0	+8.0
Palladium (per troy oz.)	$154.5	+1.6
Copper (US prod.)	140.0c	
Lead (US prod.)	41.75c	
Tin (Kuala Lumpur)	13.50m	-0.10
Tin (New York)	251.50c	-1.0
Cattle (live weight)†	121.79p	+0.32*
Sheep (live weight)†♠	122.63p	+0.18*
Pigs (live weight)	92.02p	+4.19*
Lon. day sugar (raw)	$382.2	-0.6
Lon. day sugar (wte)	$392.0	-2.8
Tate & Lyle export	£337.0	+3.0
Barley (Eng. feed)	£108.75t	+0.25
Maize (US No3 Yellow)	£141.0	
Wheat (US Dark North)	£165.0	
Rubber (Apr)♥	119.0p	-1.0
Rubber (May)♥	118.0p	-1.0
Rubber (KL RSS No1)	451.0m	+1.5
Coconut Oil (Phil)§	$645.0y	-5.0
Palm Oil (Malay.)§	$707.5z	
Copra (Phil)§	$419.0y	+19
Soyabeans (US)	£159.5y	
Cotton Outlook'A' Index	111.00c	+1.40
Wooltops (64s Super)	525p	

£ per tonne unless otherwise stated. p pence/kg. c cents/lb. r ringgit/kg. m Malaysian cents/kg. s Apr/Jun z Apr. y Mar/Apr. q Feb/Apr ♥ London Physical. § CIF Rotterdam. ♣ Bullion market close. ♠ Sheep (Live weight prices). * Change on week ⊕ Prices are for previous day.

JOTTER PAD

CROSSWORD

No.8,705 Set by DINMUTZ



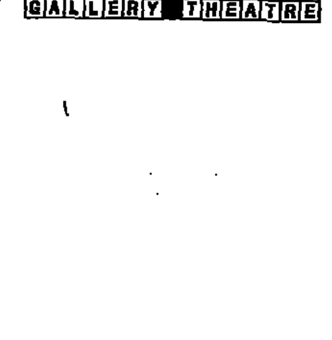
ACROSS

1 Harry, painter taken in by Tennyson's work . . . . (6)
4 . . . . by means of poetry that is deliberately wicked (8)
9 Residence of number by river (6)
10 Letter no individual should receive? (8)
12 Effects of royal house consuming a gallon? (8)
13 March programme (6)
15 Lazy creature fired (4)
16 Atrocious country house in Ohio, America (10)
19 Unsweetened biscuit upsets spider-crab (10)
20 Converted most of loose capital (4)
23 Women overdue really impressing people? (6)
25 Tries holding X and cheers up! (8)
27 One that will lift a muscle (8)
28 Bank sometimes adverse on the High Street? (6)
29 Diamond-cutter using loop, unusual diary reveals (8)
30 Interfere with gong we hear (6)

DOWN

1 Corresponds with mates (7)
2 Buttercups uncurl in a peculiar way (9)
3 University pair too upset to pull out (6)
5 Departure of some complexity (4)
6 Plum that comes up on the pools? (8)
7 Sovereign needs standard, right? (5)
8 Apprentices not beginning as breadwinners? (7)
11 Mischief in the print-shop (7)
14 Dexterous holding a butcher's knife (7)
17 Main home of some natives? (6-3)
18 Don, perhaps, a blighter going by air (8)
19 Means of finding jersey, say, in the dark? (7)
21 Irregular Old English verbs to watch (7)
22 Hidden bow, Scottish one! (6)
24 Western aid for young offspring (5)
26 Second ring-road opening in Ilkley, for example (4)

Solution 8,704



INTERNATIONAL CAPITAL MARKETS

Currency turmoil sends Europe plunging

By Graham Bowley in London and Maggie Urry in New York

Continued turmoil on the currency markets and weakness in US Treasuries sent European government bond markets plunging yesterday.

The strength of the D-Mark against the US dollar and against other European currencies pushed prices lower and caused a general widening of yield premiums over Germany, with Spain and France particularly badly hit.

Disappointment over the higher than expected outcome of the IG Metall wage negotiations in Germany also cast a pall over the German government bond market, in spite of the strong D-Mark.

Germany then dragged the rest of Europe lower, with nervous investors in most markets switching into shorter-dated maturities.

"The German wage round has been taken poorly by the market, moving forward the timing of the Bundesbank's first upward move in interest rates," said Mr Graham McDevitt of Paribas Capital Markets in London.

The June bund futures contract on Liffe fell 0.6 to 90.00. The yield on 10-year German bonds rose to 7.47 per cent.

■ French government bonds slid sharply as the French franc came under renewed pressure against the D-Mark.

"The French market is the key to Europe now," said one dealer in London.

"Short-term money market interest rates have jumped higher and we are asking ourselves when the Bank of France will be forced to hike official interest rates to protect the franc."

The March futures contract on Matif fell by 0.98 points to 110.38 and the yield spread over bunds widened to 92 basis points.

■ A sharp slide in sterling, political worries and concern over the weakness of the bund market dragged down UK government bonds.

The June long gilt future contract on Liffe fell $1\frac{7}{32}$ to 100% in late trading. The 10-year yield spread over bunds widened to 155 basis points from 148 points.

GOVERNMENT BONDS

■ Continuing concerns over the progress of the mini-budget through parliament added further downward pressure to Italian government bonds. Futures fell by 1.37 points and the yield spread over bunds widened to 625 basis points.

■ Spanish government bonds were hit hard, with the yield premium over bunds moving out through the key 500 basis points level to 510 points.

■ The Ecu bond market was also a casualty of yesterday's declines, hit by the fall in its constituent bond markets and by the renewed tensions between currencies in the European exchange rate mechanism, which dealers said had been a setback for Europe's progress towards a single currency.

■ Long-dated US Treasury bonds continued their decline yesterday as the dollar reached new lows. However, the yield curve steepened, traders said, as foreign central banks bought shorter-dated stocks with the dollars purchased last Friday during the concerted intervention to shore up the currency.

At mid-day the benchmark 30-year Treasury was down ⅝ at 99⅞ to yield 7.640 per cent. At the short end of the market, the two-year note was $\frac{1}{32}$ lower at $99\frac{29}{32}$, yielding 6.977 per cent.

The yield spread between the two-year and 30-year securities widened from 62 basis points late on Monday to 66 points.

Dealers said that the foreign central banks concentrated on short and medium-term securities, up to 10 years, as they were reluctant to invest in the more risky longer-dated bonds.

Traders also reported some short covering, which helped stocks at the opening, although as the dollar continued to slide Treasury prices weakened again. The dollar was seen at Y90.80 and DM1.3740.

Investors are also sitting on their hands ahead of the employment data to be published on Friday, which will give the next important clue to the strength of the economy.

The statistics are likely to be taken into account by the Federal Reserve Open Market Committee at its next meeting on March 28, when it decides whether to increase interest rates again.

Ford Motor braves the fixed-rate dollar sector

By Martin Brice

A rare fixed-rate dollar bond made an appearance in the euromarkets yesterday. The lack of arbitrage opportunities recently has discouraged issuance of dollar bonds.

Swap spreads have remained small since their sudden tightening two weeks ago, when comments from Mr Alan Greenspan, chairman of the US Federal Reserve Board, were interpreted as indicating that the dollar interest rate cycle had peaked.

INTERNATIONAL BONDS

However, Ford Motor Credit Corporation yesterday raised $200m with a three-year bond carrying a coupon of 7⅝ per cent. The bonds, brought through Lehman Brothers in Hong Kong, which had pre-marketed the issue, were sold entirely to investors in Asia.

Ford was the only corporate name to venture into the eurobond market yesterday.

Ireland raised Y150bn in an unsyndicated deal through Morgan Stanley, which said it had seen good demand from Japanese institutions.

The 10-year bonds carried a coupon of 4.5 per cent, which gave investors a pick-up of around 14 basis points over the comparable Japanese government bond. The deal is believed to have given Ireland funds at around 10 basis points over yen Libor.

Bayerische Hypobank raised L150bn with a deal via SBC, which said the 2⅝ year maturity allowed it to put a 12 per cent coupon on the deal. This is the largest coupon on a lira issue this year, and resulted in strong demand from Italian investors, said SBC.

Beta Finance brought a DM300m floating-rate note through Lehman Brothers Bankhaus, which said the rare short-dated D-Mark FRN met good demand from European institutions.

EIB raised Pta25bn with a 10-year issue callable after three years, via J.P. Morgan and BSN.

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees %	Spread bp	Book runner
US DOLLARS							
HACCMT 1.1995-1(a)‡	522	(a1)	(a1)R	Aug.2000	-	-	JP Morgan Securities
Ford Motor Credit Co.	200	7.625	99.817R	Mar.1998	0.25R	+47(7¼%-98)	Lehman Brothers Asia
YEN							
Republic of Ireland★	15bn	4.50	100.15	Apr.2005	0.325	-	Morgan Stanley & Co. Intl.
D-MARKS							
Beta Finance Corp.‡	300	(b)	100.10	Mar.1998	0.07	-	Lehman Brothers Bankhaus
SWISS FRANCS							
Misawa Homes Co.(c)φ★	150	2.375	100.00	Mar.1000	1.625	-	Credit Suisse
ITALIAN LIRE							
Bayerische Hypobank(d)	150bn	12.00	100.925	Oct.1997	1.375	-	Swiss Bank Corp.
LUXEMBOURG FRANCS							
DSL Finance(e)	2.5bn	8.00	102.60	Dec.2001	1.875	-	Crédit Européen
Cregem Finance	2bn	8.25	102.00	Apr.2005	2.00	-	BIL
PESETAS							
European Investment Bank(f)	25bn	(f1)	101.475	Apr.2005	1.675	-	BSN/ JP Morgan

Final terms, non-callable unless stated. Yield spread (over relevant government bond) at launch supplied by lead manager. ★Unlisted. φWith equity warrants. ‡ Floating-rate note. R: fixed re-offer price; fees shown at re-offer level. a) Household Affinity Credit Card Master Trust. Legal maturity: Sep.02. Class B notes: $24m, 15/9/00, T +55-60bp. a1) Priced later at discounted margin of 1-mth Libor + around 15-16bp. b) 1-mth Libor flat. c) Pricing: 13/3/95. d) Long 1st coupon. e) Short 1st coupon. f) Callable on 6/4/98 at par. f1) 12.45%pa to 6/4/98 and 12.75%pa thereafter.

Générale de Banque net profits up by 9.2%

By Lionel Barber in Brussels

Générale de Banque, Belgium's biggest bank, yesterday announced 1994 group net profits 9.2 per cent higher at BFr12.65bn ($428.3m).

The rise reflected a jump in corporate and personal lending as the Belgian economy moved into a stronger than expected recovery. Home loans alone climbed 25 per cent.

Mr Ferdinand Chaffart, chief executive, said two trends stood out in 1994: a marked fall in loan write-downs, and lower profits from financial market activities because of difficult trading conditions.

In an implicit reference to the speculative derivatives trading which brought down Barings, the UK merchant bank, Mr Chaffart stressed Générale Bank's cautious approach, after exceptional results last year.

He said that only 7 per cent of the group's total income came from dealing in the derivatives markets, as opposed to 12 per cent in 1993.

Interest income accounted for two-thirds of overall income, while the volume of derivatives at the bank exceeded total group assets by 12 per cent – lower than for some international banks.

Gross income fell 1.5 per cent, but rose slightly if the BFr2bn capital gain on last year's sale of its stake in ABN Amro, the big Dutch bank, is included. Interest income rose 2.4 per cent, while write-downs and provisions fell 36.3 per cent to BFr15.8bn.

The board will recommend raising the net dividend on ordinary shares to BFr360 from BFr340 a share.

General expenses rose by 4.8 per cent, with staff costs accounting for a 3.2 per cent increase. The bank is investing heavily in computerisation.

Hollow victory for Matif in Liffe mutual recognition

By Andrew Jack in Paris

The competition between the French and UK financial futures exchanges was highlighted yesterday by the difference in wording between the press releases issued by their governments announcing mutual recognition.

While Mr Edmond Alphandéry, the French minister of economics, was mentioned first in his country's version of the release, Mr Kenneth Clarke, the UK chancellor of the exchequer, preceded him in the version circulated on the other side of the Channel.

DERIVATIVE INSTRUMENTS

These textual rivalries are nothing compared to the battle for business among the world's derivatives exchanges, no more so than in Europe's two largest: the London International Financial Futures and Options Exchange, and the Marché à Terme International de France.

Matif took the initiative in November 1992 to apply for authorisation as a "recognised investment exchange" in the UK. Liffe made a reciprocal application to France and more than two years later, the Office of Fair Trading concluded that mutual recognition posed no regulatory problems, clearing the way for final ratification from the Treasury.

Approval was based on a judgment that the French exchange was regulated at least as well as its UK counterpart, would co-operate with the market authorities by sharing information, and would not act in an anti-competitive way.

As a result, Matif can now advertise and market its futures and derivatives contracts directly in the UK, without having to go through one of its members also recognised by UK regulators.

It can also respond to requests from members with London offices to provide them with Globex electronic trading screens, which offer out-of-hours trading on established Matif markets.

Ironically, yesterday's announcement would have been far more important when Matif first applied. Now it seems a little hollow. At the time, the evolution of the European financial services market was less certain. But from next year, the EU investment services directive will require similar recognition across member states. That only gives Matif a nine-month start.

Liffe was downbeat about its new reciprocal powers in France. Mr Nick Durlacher, chairman, said it would be able to market its products there but was unlikely to extend its out-of-hours APT electronic trading system beyond its current boundary of the M25 motorway around London.

He said Liffe still had "lingering doubts" about the way disputes over trading on an electronic exchange could be regulated outside the UK but would consider installing its "lots" order management system in France.

He added that Liffe and Matif were not in direct competition, as they do not trade any of the same contracts. However, while it was playing down the idea yesterday, Matif stands ready to launch a more important attack on London as soon as next year.

By the end of 1995, it will start to offer two of its products electronically to DTB, its counterpart in Frankfurt, in exchange for two German products now available in Paris. If this link is extended to London, direct competition with Liffe will begin to hot up.

WORLD BOND PRICES

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Day's change	Yield	Week ago	Month ago
Australia		9.000	09/04	92.1700	+0.340	10.31	9.86	10.40
Austria		7.500	01/05	96.8300	–0.240	7.67	7.63	7.66
Belgium		7.750	10/04	95.9900	–0.480	8.36	8.25	8.35
Canada *		9.000	12/04	100.4500	–0.100	8.93	8.59	9.38
Denmark		7.000	12/04	86.6000	–0.970	9.12	8.85	9.01
France	BTAN	8.000	05/98	101.0900	+0.050	7.59	7.60	7.27
	OAT	7.500	04/05	94.2000	–1.450	8.35	8.02	8.10
Germany Bund		7.375	01/05	99.3000	–0.840	7.47	7.37	7.45
Ireland		6.250	10/04	81.5500	–1.000	8.80†	8.80	8.78
Italy		9.500	01/05	80.3000	–0.360	13.12	12.61	11.95
Japan	No 119	4.800	06/99	105.2830	+0.565	3.43	3.69	3.78
	No 174	4.600	09/04	103.6010	+0.915	4.08	4.45	4.69
Netherlands		7.750	03/05	100.9800	–0.500	7.61	7.54	7.82
Portugal		8.875	01/04	83.7500	–0.350	11.66	11.65	11.84
Spain		10.000	02/05	86.1000	–1.340	12.49	11.81	11.75
Sweden		6.000	02/05	69.4520	–0.820	11.27	10.71	11.07
UK Gilts		6.000	08/99	90-06	–20/32	8.73	8.54	8.63
		8.500	12/05	97-24	–37/32	8.83	8.62	8.67
		9.000	10/08	101-19	–37/32	8.80	8.61	8.64
US Treasury *		7.500	02/05	100-12	+2/32	7.44	7.31	7.77
		7.625	02/25	99-26	–10/32	7.64	7.53	7.87
ECU (French Govt)		8.000	04/04	82.8600	–1.220	8.81	8.45	8.56

London closing, *New York mid-day. Yields: Local market standard.
† Gross (including withholding tax at 12.5 per cent payable by nonresidents)
Prices: US, UK in 32nds, others in decimal. Source: MMS International

US INTEREST RATES

Lunchtime

		Treasury Bills and Bond Yields			
		One month	5.57	Two year	6.98
Prime rate	9	Two month	5.91	Three year	7.08
Broker loan rate	8½	Three month	5.95	Five year	7.23
Fed.funds	5⅞	Six month	6.29	10-year	7.40
Fed.funds at intervention	-	One year	6.61	30-year	7.59

BOND FUTURES AND OPTIONS

France

■ NOTIONAL FRENCH BOND FUTURES (MATIF)

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Mar	111.44	110.38	-0.98	111.52	110.30	278,223	88,546
Jun	110.90	110.10	-0.70	110.00	110.04	89,270	53,092
Sep	110.28	109.64	-0.58	110.28	109.70	126	4,890

■ LONG TERM FRENCH BOND OPTIONS (MATIF)

Strike Price	CALLS Apr	CALLS Jun	CALLS Sep	PUTS Apr	PUTS Jun	PUTS Sep
110	0.84	-	1.80	0.74	1.30	2.00
111	0.44	0.97	-	1.27	1.77	-
112	0.17	0.54	-	-	2.35	-
113	0.05	0.31	-	-	-	-
114	-	0.15	0.36	-	-	-

Est. vol. total, Calls 18,450 Puts 35,948 . Previous day's open int., Calls 118,038 Puts 163,826.

Germany

■ NOTIONAL GERMAN BUND FUTURES (LIFFE)* DM250,000 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	91.12	90.69	-0.34	91.38	90.60	13355	38310
Jun	90.70	90.01	-0.59	90.92	89.85	226522	164081
Sep		89.51	-0.59			0	1657

■ BUND FUTURES OPTIONS (LIFFE) DM250,000 points of 100%

Strike Price	CALLS Apr	CALLS May	CALLS Jun	CALLS Sep	PUTS Apr	PUTS May	PUTS Jun	PUTS Sep
9000	0.50	0.80	1.02	1.17	0.49	0.79	1.01	1.66
9050	0.29	0.57	0.79	0.97	0.78	1.06	1.28	1.96
9100	0.16	0.39	0.60	0.79	1.15	1.38	1.59	2.28

Est. vol. total, Calls 8845 Puts 10264. Previous day's open int., Calls 136872 Puts 108892

Italy

■ NOTIONAL ITALIAN GOVT. BOND (BTP) FUTURES (LIFFE)* Lira 200m 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	93.65	92.30	-1.06	93.92	91.93	46681	52630
Sep		91.30	-1.06			0	0

■ ITALIAN GOVT. BOND (BTP) FUTURES OPTIONS (LIFFE) Lira200m 100ths of 100%

Strike Price	CALLS Jun	CALLS Sep	PUTS Jun	PUTS Sep
9200	2.43	2.88	2.13	3.59
9250	2.16	2.67	2.36	3.87
9300	1.91	2.46	2.61	4.16

Est. vol. total, Calls 8233 Puts 4186, Previous day's open int., Calls 20077 Puts 18791

Spain

■ NOTIONAL SPANISH BOND FUTURES (MEFF)

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Mar	82.20	80.80	-1.32	82.45	80.51	99,999	36,714
Jun	81.70	80.27	-1.46	81.96	80.13	12,488	14,365

UK

■ NOTIONAL UK GILT FUTURES (LIFFE)* £50,000 32nds of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	101-08	100-07	-1-03	101-13	100-01	6803	26853
Jun	101-21	100-15	-1-04	101-23	100-06	115654	70281

■ LONG GILT FUTURES OPTIONS (LIFFE) £50,000 64ths of 100%

Strike Price	CALLS Apr	CALLS May	CALLS Jun	CALLS Sep	PUTS Apr	PUTS May	PUTS Jun	PUTS Sep
100	1-02	1-29	1-51	2-36	0-36	0-63	1-21	1-56
101	0-34	0-60	1-19	2-03	1-04	1-30	1-53	2-23
102	0-15	0-34	0-57	1-40	1-49	2-04	2-27	2-60

Est. vol. total, Calls 3715 Puts 5811. Previous day's open int., Calls 25073 Puts 39189

Ecu

■ ECU BOND FUTURES (MATIF)

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Mar	81.34	80.38	-0.88	81.46	80.32	5,083	2,453
Jun	81.30	80.24	-0.90	81.30	80.28	2,610	2,356

US

■ US TREASURY BOND FUTURES (CBT) $100,000 32nds of 100%

	Open	Latest	Change	High	Low	Est. vol.	Open int.
Mar	102-15	102-16	-	102-17	102-01	26,799	123,402
Jun	101-31	101-31	+0-01	102-00	101-14	355,631	243,388
Sep	101-06	101-16	-	101-16	101-00	698	10,506

Japan

■ NOTIONAL LONG TERM JAPANESE GOVT. BOND FUTURES (LIFFE) Y100m 100ths of 100%

	Open	Close	Change	High	Low	Est. vol	Open int.
Jun	111.27			111.38	111.02	4945	0

* LIFFE futures also traded on APT. All Open interest figs. are for previous day.

FT-ACTUARIES FIXED INTEREST INDICES

Price Indices UK Gilts	Tue Mar 7	Day's change %	Mon Mar 6	Accrued interest	xd adj. ytd		Low coupon yield Mar 7	Low Mar 6	Low Yr. ago	Medium coupon yield Mar 7	Medium Mar 6	Medium Yr. ago	High coupon yield Mar 7	High Mar 6	High Yr. ago
1 Up to 5 years (24)	118.27	–0.42	118.77	1.35	2.53	5 yrs	8.75	8.56	6.37	8.78	8.62	6.59	8.94	8.77	6.72
2 5-15 years (21)	137.84	–0.90	139.49	2.00	2.57	15 yrs	8.68	8.54	7.09	8.80	8.65	7.21	9.03	8.87	7.44
3 Over 15 years (9)	152.18	–1.31	154.20	0.87	4.05	20 yrs	8.62	8.49	7.19	8.80	8.65	7.21	8.95	8.79	7.44
4 Irredeemables (6)	176.23	–1.15	178.27	2.42	1.47	Irred.†	8.61	8.50	7.30						
5 All stocks (60)	134.87	–0.81	136.16	1.61	2.80										

Index-linked							Inflation 5% Mar 7	Mar 6	Yr. ago	Inflation 10% Mar 7	Mar 6	Yr. ago
6 Up to 5 years (2)	189.23	–0.08	189.38	0.75	1.45	Up to 5 yrs	3.76	3.70	2.57	2.43	2.37	1.70
7 Over 5 years (11)	173.33	–0.39	174.00	0.91	0.80	Over 5 yrs	3.95	3.92	3.22	3.76	3.73	3.04
8 All stocks (13)	174.06	–0.36	174.68	0.89	0.86							

Average gross redemption yields are shown above. Coupon Bands: Low: 0%-7¾%; Medium: 8%-10¾%; High: 11% and over. † Flat yield. ytd Year to date.

FT FIXED INTEREST INDICES

	Mar 7	Mar 6	Mar 3	Mar 2	Mar 1	Yr ago	High*	Low*
Govt. Secs. (UK)	90.35	91.04	91.13	91.32	91.43	101.34	107.04	89.54
Fixed Interest	109.16	109.68	109.95	109.99	109.94	123.56	133.87	106.50

* for 1994/5. Government Securities high since compilation: 127.40 (9/1/35), low 49.18 (3/1/75). Fixed Interest high since compilation: 133.87 (21/1/94), low 50.53 (3/1/75). Basis 100: Government Securities 15/10/26 and Fixed Interest 1928. SE activity indices rebased 1974.

GILT EDGED ACTIVITY INDICES

	Mar 6	Mar 3	Mar 2	Mar 1	Feb 28
Gilt Edged bargains	77.4	88.8	89.6	113.3	99.6
5-day average	93.8	96.5	96.3	99.9	101.3

FT/ISMA INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Latest prices at 7:00 pm on March 7

	Issued	Bid	Offer	Chg.	Yield
U.S. DOLLAR STRAIGHTS					
Abbey Natl Treasury 6½ 03	1000	90¾	91		8.08
Alberta Province 7⅞ 98	1000	100⅛	100⅜	+⅛	7.56
Austria 8½ 00	400	103¾	104	+⅛	7.55
Bank Ned Gemeenten 7 99	1000	98⅞	98⅝	+⅛	7.42
United Kingdom 7¼ 97	5500	101⅝	101¾	–⅛	6.42
Volkswagen Intl Fin 7 03	1000	95	95½		7.84
World Bank 0 15	3000	22⅝	23	–⅛	7.41
World Bank 5⅞ 03	3000	89½	89⅝	–¼	7.56
World Bank 8¾ 00	1250	110⅛	110⅝	–¼	6.36
Abbey Natl Treasury 8 03 £	1000	91⅝	91¾	–⅝	9.53
Alliance Leics 11⅞ 97 £	100	104⅞	105⅛	–¼	8.77
British Land 8⅞ 23 £	150	87¾	88¼	-1¼	10.46
Denmark 6¾ 98 £	800	93½	93¾	–½	8.99
EIB 8 03 £	1000	93	93¼	–¾	9.24

[illegible]

UK GILTS PRICES

[illegible]

Other Fixed Interest

[illegible]

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CURRENCIES AND MONEY

MARKETS REPORT

Currency market turmoil continues unabated

The turmoil in world currency markets ratcheted up further yesterday as currencies continued to plunge to fresh lows against the D-Mark, *writes Philip Gawith.*

The dollar was again at the centre of events, falling to a new low against both the D-Mark and the yen. In early afternoon New York trading it fell below Y90 and DM1.3600. It closed on Monday at DM1.4028 and Y92.91.

Sterling staged a late rally against the dollar, reaching $1.6425 in New York. But it continued to trade lower against the D-Mark, reaching DM2.2504 in afternoon New York. It closed on Monday at DM2.3023 and $1.6412.

In Europe, D-Mark strength again drove many currencies to fresh lows. These included the French franc, which breached FFr3.58 against the D-Mark, from FFr3.549, and the peseta, which fell to a low of Pta92.70, from Pta91.01.

Nervousness in the currency markets spilled over into interest rate markets. In the UK short sterling lost 16 basis points to 92.33 on fears that a decision will be taken at today's monthly monetary meeting to raise interest rates in order to defend the pound.

In France there were rumours that the Bank of France will sanction a 200 basis point rise in rates to defend the franc. This caused the March PIBOR contract, which expires on Monday, to plummet 80 basis points to 92.17.

■ Activity in the markets continued at high levels, although dealers said there were still patches in the day when trading was quiet.

For the first time, "panic" started to creep into the market, as currencies continued to plunge, ever more detached from fundamentals.

Mr Paul Chertkow, head of global currency research at UBS in London, commented: "Today there is no bid in the market for any of these currencies. It has all the makings of a one dimensional market."

"This market is not pricing off the economic fundamentals," said Mr Chertkow. "Fair value isn't a concept that is applicable in the current circumstances."

Mr Jim O'Neill, head of global research at Swiss Bank Corporation in London, was also pessimistic about developments in Europe. "I think they could be in for some real economic and political tensions in Europe. It looks to me as if the EMS is moving towards an end," he said.

One symbol of the tensions in the exchange rate mechanism was the Belgian franc. Having traded steadily around the BFr20.6 level against the D-Mark for the past year, it has suddenly started to move. It closed yesterday at BFr20.78, from BFr20.63.

Mr O'Neill said: "I think the Belgian franc is an accident waiting to happen. The cosy protection it has enjoyed is on the verge of disappearing. The fundamentals are arguably as bad as Italy's."

Sentiment in Europe was not helped by comments from Mr Pedro Solbes, Spain's economy minister, that a 10-11 per cent devaluation of the peseta would have given more room for manoeuvre than the 7 per cent agreed over the weekend.

An even more explicit invitation to sell the peseta was his comment that "he saw no need for another devaluation in the near future." Analysts believe Spain's future in the ERM is looking increasingly precarious.

■ Sentiment in the market is becoming ever more pessimistic as traders and analysts struggle to see reasons why current trends should reverse themselves. The absence of central bank intervention suggests either an acceptance of current levels, or lack of belief that intervention will work.

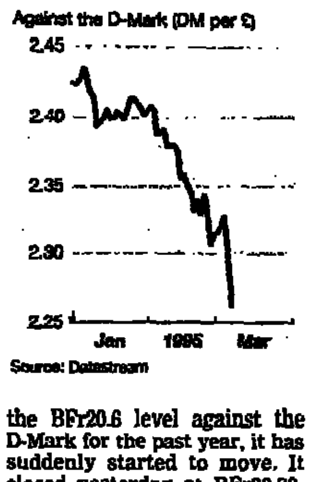
As far as the Fed is concerned, this view receives the endorsement of Mr Dave Munro, chief economist at High Frequency Economics in New York. "I put low odds on its lobbying its global counterparts into more than the broad but thin intervention of recent sessions, to say nothing of tightening policy further for the benefit of the greenback," he said.

"The past 15 years have seen a marked rise in Washington's tolerance of persistent swings in forex rates, if not disorderly markets."

■ The Bank of England provided UK money markets with £500m assistance after declaring a £650m shortage. UK cash rates, however, stayed easy, with three month LIBOR at 6$\frac{13}{16}$ per cent as some investors sought a safety in liquid assets.

Sterling

Against the D-Mark (DM per £)



Source: Datastream

■ Pound in New York

Mar 7	— Latest —	— Prev. close —
£ spot	1.6440	1.6235
1 mth	1.6432	1.6231
3 mth	1.6421	1.6221
1 yr	1.6300	1.6110

■ OTHER CURRENCIES

Mar 7	£	$
Hungary	177.021 - 177.260	108.050 - 108.150
Iran	2838.58 - 2843.91	1748.00 - 1750.00
Kuwait	0.4794 - 0.4797	0.2953 - 0.2954
Poland	3.8229 - 3.3326	2.3550 - 2.3600
Russia	7497.56 - 7500.00	4617.00 - 4620.00
U.A.E.	5.9614 - 5.9653	3.6724 - 3.6732

POUND SPOT FORWARD AGAINST THE POUND

Mar 7		Closing mid-point	Change on day	Bid/offer spread	Day's Mid high	Day's Mid low	One month Rate	One month %PA	Three months Rate	Three months %PA	One year Rate	One year %PA	Bank of Eng. Index
Europe													
Austria	(Sch)	15.9164	-0.291	079 - 249	16.0863	15.8720	15.904	0.9	15.8702	1.2	-	-	108.1
Belgium	(BFr)	46.9804	-0.5242	621 - 986	47.1260	46.7480	46.9504	0.8	46.8854	0.8	46.4504	1.1	109.7
Denmark	(DKr)	9.1687	-0.1148	645 - 728	9.2285	9.1407	9.1692	-0.1	9.1677	0.0	9.1286	0.5	107.1
Finland	(FM)	7.0817	-0.0318	761 - 873	7.1090	6.9880	-	-	-	-	-	-	86.5
France	(FFr)	8.0680	-0.1027	654 - 705	8.1082	8.0274	8.0621	0.9	8.0555	0.6	8.0367	0.4	108.5
Germany	(DM)	2.2611	-0.0412	600 - 621	2.2841	2.2550	2.258	1.6	2.252	1.6	2.2149	2.0	114.2
Greece	(Dr)	367.432	-0.033	730 - 135	369.165	363.847	-	-	-	-	-	-	69.0
Ireland	(I£)	1.0011	-0.0046	005 - 017	1.0079	0.9974	1.0008	0.4	1.0007	0.2	0.9983	0.3	96.8
Italy	(L)	2681.46	-35.93	926 - 366	2691.44	2653.69	2690.91	-4.2	2707.61	-3.9	2729.72	-1.8	67.4
Luxembourg	(LFr)	46.9804	-0.5242	621 - 986	47.1260	46.7480	46.9504	0.8	46.8854	0.8	46.4504	1.1	109.7
Netherlands	(Fl)	2.5389	-0.0432	367 - 411	2.5612	2.5308	2.5357	1.5	2.529	1.6	2.4907	1.9	110.7
Norway	(NKr)	10.1447	-0.1039	396 - 497	10.1794	10.0857	10.1433	0.2	10.141	0.1	10.1278	0.2	99.6
Portugal	(Es)	239.440	-3.458	307 - 573	241.557	238.875	240.04	-3.0	241.69	-3.8	-	-	96.7
Spain	(Pta)	208.599	-0.982	464 - 733	209.232	207.531	209.109	-2.9	208.813	0.0	208.857	0.0	77.0
Sweden	(SKr)	11.7683	-0.0818	576 - 789	11.8008	11.6824	11.7704	-0.2	11.7745	-0.2	11.7883	-0.2	78.4
Switzerland	(SFr)	1.8891	-0.0401	879 - 903	1.9124	1.8858	1.8844	3.0	1.8757	2.8	1.8289	3.2	113.3
UK	(£)	-	-	-	-	-	-	-	-	-	-	-	86.5
Ecu	-	1.2407	-0.0071	399 - 414	1.2414	1.2321	1.2406	0.0	1.2402	0.1	1.2341	0.5	-
SDR†	-	1.075800	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	1.6239	-0.0176	235 - 243	1.6282	1.6173	-	-	-	-	-	-	-
Brazil	(Cr)	1.4418	+0.0197	399 - 437	1.4437	1.4240	-	-	-	-	-	-	-
Canada	(C$)	2.3079	-0.0173	070 - 088	2.3116	2.2937	2.3117	-1.9	2.3176	-1.7	2.3211	-0.6	79.9
Mexico	(New Peso)	10.9029	+0.1612	599 - 458	11.0094	10.5653	-	-	-	-	-	-	-
USA	($)	1.6237	-0.0175	233 - 240	1.6280	1.6170	1.6233	0.3	1.6222	0.4	1.6114	0.8	91.4
Pacific/Middle East/Africa													
Australia	(A$)	2.2011	-0.0181	999 - 023	2.2023	2.1995	2.2036	-1.4	2.2089	-1.4	2.2343	-1.5	81.9
Hong Kong	(HK$)	12.5525	-0.1361	489 - 560	12.5866	12.5018	12.5517	0.1	12.578	-0.8	12.4778	0.6	-
India	(Rs)	51.7538	-0.4527	021 - 056	52.0390	51.5380	-	-	-	-	-	-	-
Israel	(Shk)	4.8220	-0.0614	167 - 273	4.8731	4.8117	-	-	-	-	-	-	-
Japan	(Y)	148.848	-3.844	775 - 921	150.940	148.510	148.318	4.3	147.123	4.6	141.028	5.3	156.7
Malaysia	(M$)	4.1338	-0.0439	321 - 355	4.1436	4.1177	-	-	-	-	-	-	-
New Zealand	(NZ$)	2.5167	-0.033	152 - 182	2.5182	2.5147	2.5229	-3.0	2.5332	-2.6	2.556	-1.6	96.7
Philippines	(Peso)	41.4843	-0.4484	942 - 744	41.5744	41.3942	-	-	-	-	-	-	-
Saudi Arabia	(SR)	6.0893	-0.0659	877 - 908	6.1052	6.0646	-	-	-	-	-	-	-
Singapore	(S$)	2.3121	-0.0408	108 - 134	2.3295	2.3026	-	-	-	-	-	-	-
S Africa (Com.)	(R)	5.7944	-0.0339	919 - 969	5.8025	5.7543	-	-	-	-	-	-	-
S Africa (Fin.)	(R)	6.2105	-0.1082	929 - 280	6.2304	6.1929	-	-	-	-	-	-	-
South Korea	(Won)	1274.48	-17.72	413 - 484	1278.97	1269.35	-	-	-	-	-	-	-
Taiwan	(T$)	42.5892	-0.4891	727 - 058	42.6959	42.4220	-	-	-	-	-	-	-
Thailand	(Bt)	40.2909	-0.4601	660 - 158	40.4070	40.1420	-	-	-	-	-	-	-

†SDR rates per £ for Mar 6. Bid/offer spreads in the Pound Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. Sterling index calculated by the Bank of England. Base average 1990 = 100. Index rebased 1/2/95. Bid, Offer and Mid-rates in both this and the Dollar Spot tables derived from THE WM/REUTERS CLOSING SPOT RATES. Some values are rounded by the F.T.

DOLLAR SPOT FORWARD AGAINST THE DOLLAR

Mar 7		Closing mid-point	Change on day	Bid/offer spread	Day's mid high	Day's mid low	One month Rate	One month %PA	Three months Rate	Three months %PA	One year Rate	One year %PA	J.P Morgan index
Europe													
Austria	(Sch)	9.8029	-0.0725	997 - 060	9.8950	9.7800	9.7924	1.3	9.7704	1.3	9.6519	1.5	107.8
Belgium	(BFr)	28.9350	-0.01	300 - 400	29.0000	28.7850	28.925	0.4	28.9	0.5	28.825	0.4	109.7
Denmark	(DKr)	5.6470	-0.0095	456 - 483	5.6784	5.6323	5.6482	-0.3	5.6525	-0.4	5.664	-0.3	106.1
Finland	(FM)	4.3616	+0.0273	591 - 641	4.3770	4.3066	4.3628	-0.3	4.3641	-0.2	4.3566	0.1	86.4
France	(FFr)	4.9690	-0.0095	685 - 695	4.9855	4.9437	4.974	-1.2	4.981	-1.0	4.9875	-0.4	108.3
Germany	(DM)	1.3926	-0.0102	922 - 929	1.4066	1.3885	1.3911	1.3	1.3882	1.2	1.3746	1.3	112.9
Greece	(Dr)	226.300	+2.4	300 - 300	227.300	225.100	228.8	-13.3	233.05	-11.9	250.8	-10.8	69.3
Ireland	(I£)	1.6218	-0.0103	213 - 226	1.6278	1.6133	1.6223	-0.4	1.6212	0.1	1.6186	0.2	-
Italy	(L)	1651.50	-4.24	050 - 250	1656.00	1635.70	1658	-4.7	1668.75	-4.2	1722.5	-4.3	66.7
Luxembourg	(LFr)	28.9350	-0.01	300 - 400	29.0000	28.7850	28.925	0.4	28.9	0.5	28.825	0.4	109.7
Netherlands	(Fl)	1.5637	-0.0096	627 - 647	1.5770	1.5592	1.5622	1.2	1.5591	1.2	1.5457	1.2	109.5
Norway	(NKr)	6.2481	+0.0035	463 - 498	6.2673	6.2113	6.2413	1.3	6.2306	1.1	6.1906	0.9	96.7
Portugal	(Es)	147.470	-0.53	420 - 520	148.550	147.160	147.945	-3.9	149.045	-4.3	153.72	-4.2	96.8
Spain	(Pta)	128.475	+0.775	420 - 530	128.700	127.870	128.825	-3.3	129.46	-3.1	133.075	-3.6	77.1
Sweden	(SKr)	7.2480	+0.0276	430 - 530	7.2701	7.2056	7.2633	-2.5	7.2915	-2.4	7.428	-2.5	78.0
Switzerland	(SFr)	1.1635	-0.012	630 - 640	1.1763	1.1605	1.1609	2.6	1.1562	2.5	1.135	2.4	112.3
UK	(£)	1.6237	-0.0175	233 - 240	1.6280	1.6170	1.6233	0.3	1.6222	0.4	1.6114	0.8	86.5
Ecu	-	1.3087	-0.0066	082 - 092	1.3171	1.3067	1.3084	0.3	1.308	0.2	1.3057	0.2	-
SDR†	-	0.65230	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	1.0002	-	001 - 002	1.0002	1.0001	-	-	-	-	-	-	-
Brazil	(Cr)	0.8880	+0.0215	870 - 890	0.8890	0.8780	-	-	-	-	-	-	-
Canada	(C$)	1.4215	+0.0047	212 - 217	1.4220	1.4143	1.4242	-2.3	1.4287	-2.0	1.4405	-1.3	79.0
Mexico	(New Peso)	6.7150	+0.17	900 - 400	6.7400	6.6900	6.7156	-0.1	6.7162	-0.1	6.7176	0.0	-
USA	($)	-	-	-	-	-	-	-	-	-	-	-	92.9
Pacific/Middle East/Africa													
Australia	(A$)	1.3556	+0.0035	552 - 561	1.3602	1.3525	1.3574	-1.6	1.362	-1.9	1.3868	-2.3	83.3
Hong Kong	(HK$)	7.7310	-0.0003	305 - 315	7.7325	7.7305	7.7321	-0.2	7.7332	-0.1	7.738	-0.1	-
India	(Rs)	31.8750	+0.065	500 - 000	32.0200	31.8300	31.955	-3.0	32.2	-4.1	-	-	-
Israel	(Shk)	2.9699	-0.0056	672 - 725	3.0003	2.9623	-	-	-	-	-	-	-
Japan	(Y)	91.6750	-1.24	500 - 000	93.0000	91.5200	91.365	4.1	90.725	4.1	87.51	4.5	156.0
Malaysia	(M$)	2.5460	+0.0005	455 - 465	2.5470	2.5440	2.544	0.9	2.5395	1.0	2.5235	0.9	-
New Zealand	(NZ$)	1.5499	-0.0036	494 - 506	1.5552	1.5466	1.5526	-2.1	1.5602	-2.7	1.5869	-2.4	-
Philippines	(Peso)	25.5500	-	000 - 000	25.6000	25.5000	-	-	-	-	-	-	-
Saudi Arabia	(SR)	3.7504	-	502 - 505	3.7505	3.7502	3.753	-0.8	3.7563	-0.6	3.7679	-0.5	-
Singapore	(S$)	1.4240	-0.0095	235 - 245	1.4345	1.4210	1.419	4.2	1.4137	2.9	1.3902	2.4	-
S Africa (Com.)	(R)	3.5688	+0.0175	680 - 695	3.5725	3.5460	3.5823	-4.5	3.617	-5.4	3.7863	-6.1	-
S Africa (Fin.)	(R)	3.8250	-0.022	150 - 350	3.8350	3.8150	3.8525	-8.6	3.9025	-8.1	4.135	-8.1	-
South Korea	(Won)	784.950	-2.4	900 - 000	785.500	784.800	787.95	-4.6	791.45	-3.3	809.95	-3.2	-
Taiwan	(T$)	26.2305	-0.0175	260 - 350	26.2350	26.2200	26.2505	-0.9	26.2905	-0.9	-	-	-
Thailand	(Bt)	24.8150	-0.015	050 - 250	24.8350	24.8050	24.8275	-0.6	24.8415	-0.4	24.8675	-0.2	-

†SDR rate per $ for Mar 6. Bid/offer spreads in the Dollar Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. UK, Ireland & ECU are quoted in US currency. J.P. Morgan nominal indices Mar 6. Base average 1990=100

WORLD INTEREST RATES

MONEY RATES

March 7	Over night	One month	Three mths	Six mths	One year	Lomb. inter.	Dis. rate	Repo rate
Belgium	6	5$\frac{7}{16}$	5$\frac{7}{8}$	6⅛	6⅞	7.40	4.50	-
week ago	6	5$\frac{7}{16}$	5$\frac{5}{16}$	5$\frac{7}{8}$	6⅜	7.40	4.50	-
France	5$\frac{11}{16}$	7¼	7¼	7$\frac{3}{16}$	7¼	5.00	-	6.40
week ago	5$\frac{11}{16}$	7¼	6$\frac{5}{8}$	6½	6$\frac{7}{8}$	5.00	-	6.40
Germany	4.88	4.95	5.05	5.20	5.65	6.00	4.50	4.85
week ago	5.75	4.95	5.05	5.23	5.68	6.00	4.50	4.85
Ireland	5¼	5¾	6¼	6$\frac{7}{8}$	7⅜	-	-	6.25
week ago	5¼	5¾	6¼	6$\frac{5}{8}$	7⅜	-	-	6.25
Italy	8$\frac{3}{4}$	10$\frac{1}{4}$	10½	10$\frac{7}{8}$	11¾	-	7.50	8.35
week ago	8¾	10$\frac{1}{4}$	10⅜	10¾	11⅜	-	7.50	8.35
Netherlands	4.84	5.01	5.11	5.30	5.72	-	5.25	-
week ago	4.84	5.01	5.14	5.34	5.77	-	5.25	-
Switzerland	3$\frac{5}{16}$	3$\frac{7}{8}$	3⅞	4$\frac{1}{16}$	4⅜	6.625	3.50	-
week ago	3¾	3$\frac{7}{8}$	3⅞	4⅞	4$\frac{3}{8}$	6.625	3.50	-
US	5$\frac{7}{8}$	6$\frac{1}{16}$	6¼	6$\frac{7}{16}$	6⅞	-	5.25	-
week ago	6$\frac{1}{16}$	6$\frac{1}{16}$	6$\frac{1}{4}$	6⅝	6$\frac{13}{16}$	-	5.25	-
Japan	2⅛	2$\frac{3}{8}$	2¼	2⅜	2$\frac{1}{2}$	-	1.75	-
week ago	2⅛	2$\frac{3}{8}$	2¼	2⅜	2$\frac{1}{2}$	-	1.75	-
■ $ LIBOR FT London								
Interbank Fixing	-	6⅛	6$\frac{3}{8}$	6½	6$\frac{15}{16}$	-	-	-
week ago	-	6⅛	6¼	6$\frac{1}{2}$	6¾	-	-	-
US Dollar CDs	-	5.98	6.12	6.36	6.82	-	-	-
week ago	-	5.96	6.04	6.20	6.56	-	-	-
SDR Linked Ds	-	4⅜	4½	4⅝	4$\frac{7}{8}$	-	-	-
week ago	-	4⅜	4⅞	5⅛	5$\frac{3}{8}$	-	-	-

ECU Linked Ds mid rates: 1 mth: 6$\frac{1}{4}$; 3 mths: 6$\frac{1}{2}$; 6 mths: 6¾; 1 year: 7⅛. $ LIBOR interbank fixing rates are offered rates for $10m quoted to the market by four reference banks at 11am each working day. The banks are: Bankers Trust, Bank of Tokyo, Barclays and National Westminster.
Mid rates are shown for the domestic Money Rates, US $ CDs and SDR Linked Deposits (Ds).

EURO CURRENCY INTEREST RATES

Mar 7	Short term	7 days notice	One month	Three months	Six months	One year
Belgian Franc	6 - 5⅞	6½ - 6⅜	6¾ - 6½	6¾ - 6½	7 - 6¾	7¼ - 7
Danish Krone	5¾ - 5¼	5¾ - 5½	5¾ - 6½	6 - 5$\frac{13}{16}$	6$\frac{5}{16}$ - 6$\frac{1}{16}$	6$\frac{13}{16}$ - 6⅝
D-Mark	4$\frac{15}{16}$ - 4$\frac{13}{16}$	4⅞ - 4¾	4$\frac{15}{16}$ - 4$\frac{13}{16}$	5$\frac{1}{16}$ - 4$\frac{15}{16}$	5¼ - 5⅛	5⅝ - 5½
Dutch Guilder	5$\frac{1}{16}$ - 4$\frac{15}{16}$	5$\frac{1}{16}$ - 4$\frac{15}{16}$	5$\frac{1}{16}$ - 5$\frac{1}{16}$	5$\frac{5}{16}$ - 5⅛	5⅜ - 5$\frac{3}{16}$	5$\frac{13}{16}$ - 5$\frac{11}{16}$
French Franc	6½ - 6¼	7¾ - 7½	8¼ - 8	8¼ - 8	7⅞ - 7⅝	7$\frac{13}{16}$ - 7$\frac{9}{16}$
Portuguese Esc.	9 - 8⅞	9⅛ - 8⅞	10¼ - 9⅞	11⅛ - 10⅞	11$\frac{7}{16}$ - 11⅛	11½ - 11
Spanish Peseta	8$\frac{11}{16}$ - 8$\frac{5}{16}$	8⅞ - 8⅝	9½ - 9	9$\frac{13}{16}$ - 9$\frac{5}{16}$	10⅛ - 9$\frac{11}{16}$	10$\frac{11}{16}$ - 10$\frac{7}{16}$
Sterling	6⅜ - 6¼	6¼ - 6⅛	6$\frac{7}{16}$ - 6⅜	6$\frac{13}{16}$ - 6$\frac{11}{16}$	7$\frac{3}{16}$ - 7$\frac{1}{16}$	7$\frac{15}{16}$ - 7$\frac{13}{16}$
Swiss Franc	3¼ - 3⅝	3$\frac{15}{16}$ - 3$\frac{3}{16}$	3$\frac{15}{16}$ - 3$\frac{3}{16}$	3⅞ - 3¾	4$\frac{1}{16}$ - 3$\frac{15}{16}$	4⅜ - 4¼
Can. Dollar	8⅛ - 7⅞	8¼ - 8$\frac{1}{16}$	8$\frac{5}{16}$ - 8$\frac{3}{16}$	8$\frac{5}{16}$ - 8$\frac{3}{16}$	8$\frac{5}{16}$ - 8$\frac{3}{16}$	8⅜ - 8¼
US Dollar	6 - 5⅞	6$\frac{1}{16}$ - 5$\frac{15}{16}$	6⅛ - 6	6$\frac{5}{16}$ - 6$\frac{3}{16}$	6½ - 6⅜	6$\frac{15}{16}$ - 6$\frac{13}{16}$
Italian Lira	10½ - 9	10$\frac{7}{16}$ - 10$\frac{5}{16}$	10$\frac{7}{16}$ - 10$\frac{5}{16}$	10½ - 10⅜	10$\frac{13}{16}$ - 10$\frac{11}{16}$	11½ - 11⅜
Yen	2$\frac{7}{32}$ - 2$\frac{3}{32}$	2$\frac{7}{32}$ - 2$\frac{3}{32}$	2$\frac{3}{32}$ - 2$\frac{7}{32}$	2$\frac{7}{16}$ - 2⅜	2$\frac{3}{16}$ - 2⅛	2$\frac{3}{16}$ - 2⅛
Asian $Sing	2⅛ - 2	1⅞ - 1¾	2¼ - 2⅛	2¾ - 2⅝	3⅜ - 3¼	4$\frac{1}{16}$ - 3$\frac{15}{16}$

Short term rates are call for the US Dollar and Yen, others: two days' notice.

■ THREE MONTH PIBOR FUTURES (MATIF) Paris interbank offered rate

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	92.88	92.17	-0.80	92.88	92.17	52,487	33,337
Jun	92.91	92.59	-0.38	92.96	92.59	88,373	46,610
Sep	92.90	92.79	-0.16	92.96	92.80	21,078	38,260
Dec	92.86	92.77	-0.06	92.89	92.72	9,100	26,008

■ THREE MONTH EURODOLLAR (LIFFE)* $1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	93.69	93.68	-	93.69	93.68	109	1584
Jun		93.33	-			0	550
Sep		93.03	+0.02			0	364
Dec		92.74	+0.03			0	270

■ THREE MONTH EUROMARK FUTURES (LIFFE)* DM1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	94.97	94.92	-0.04	94.99	94.89	24167	129053
Jun	94.72	94.60	-0.09	94.74	94.56	108212	209349
Sep	94.40	94.23	-0.14	94.44	94.22	90290	143224
Dec	94.06	93.88	-0.12	94.07	93.86	77087	104240

■ THREE MONTH EUROLIRA INT.RATE FUTURES (LIFFE) L1000m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	89.50	89.40	-0.08	89.64	89.30	6130	26310
Jun	88.86	88.73	-0.13	89.09	88.60	13864	40386
Sep	88.76	88.47	-0.12	88.78	88.37	4922	29404
Dec	88.50	88.28	-0.12	88.51	88.26	3373	14727

■ THREE MONTH EURO SWISS FRANC FUTURES (LIFFE) SFr1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	96.13	96.11	-0.01	96.14	96.10	1326	13483
Jun	95.83	95.80	-0.01	95.87	95.79	4390	19627
Sep	95.55	95.51	-0.01	95.59	95.50	1245	7061
Dec	95.26	95.21	-0.01	95.26	95.20	632	5856

■ THREE MONTH ECU FUTURES (LIFFE) Ecu1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	93.49	93.18	-0.31	93.49	93.20	1704	9572
Jun	93.12	92.83	-0.29	93.14	92.81	3550	9201
Sep	92.85	92.60	-0.23	92.86	92.58	778	4153
Dec	92.47	92.29	-0.18	92.48	92.27	457	2133

* LIFFE futures also traded on APT

CROSS RATES AND DERIVATIVES

EXCHANGE CROSS RATES

Mar 7		BFr	DKr	FFr	DM	I£	L	Fl	NKr	Es	Pta	SKr	SFr	£	C$	$	Y	Ecu
Belgium	(BFr)	100	19.51	17.17	4.813	2.131	5707	5.402	21.58	509.6	443.8	25.03	4.021	2.129	4.911	3.455	316.7	2.639
Denmark	(DKr)	51.24	10	8.800	2.466	1.092	2924	2.768	11.06	261.1	227.4	12.83	2.060	1.091	2.516	1.770	162.3	1.353
France	(FFr)	58.23	11.36	10	2.802	1.241	3323	3.146	12.57	296.7	258.4	14.58	2.341	1.239	2.859	2.012	184.4	1.537
Germany	(DM)	20.78	4.055	3.568	1	0.443	1186	1.123	4.486	105.9	92.22	5.201	0.835	0.442	1.020	0.718	65.81	0.548
Ireland	(I£)	46.93	9.159	8.060	2.259	1	2678	2.535	10.13	239.2	208.3	11.75	1.887	0.999	2.305	1.621	148.7	1.239
Italy	(L)	1.752	0.342	0.301	0.084	0.037	100.	0.095	0.378	8.930	7.777	0.439	0.070	0.037	0.086	0.061	5.550	0.046
Netherlands	(Fl)	18.51	3.612	3.179	0.891	0.394	1056	1	3.995	94.33	82.15	4.634	0.744	0.394	0.909	0.639	58.63	0.489
Norway	(NKr)	46.33	9.041	7.957	2.230	0.987	2644	2.503	10	236.1	205.6	11.60	1.863	0.986	2.275	1.601	146.7	1.223
Portugal	(Es)	19.62	3.830	3.370	0.944	0.418	1120	1.060	4.236	100.	87.09	4.912	0.789	0.418	0.964	0.678	62.16	0.518
Spain	(Pta)	22.53	4.397	3.870	1.084	0.480	1286	1.217	4.863	114.8	100.	5.640	0.906	0.480	1.106	0.778	71.37	0.595
Sweden	(SKr)	39.95	7.796	6.861	1.923	0.851	2280	2.158	8.622	203.6	177.3	10	1.606	0.850	1.962	1.380	126.5	1.054
Switzerland	(SFr)	24.87	4.853	4.271	1.197	0.530	1419	1.344	5.368	126.7	110.4	6.226	1	0.529	1.221	0.859	78.77	0.656
UK	(£)	46.98	9.168	8.068	2.261	1.001	2681	2.538	10.14	239.4	208.5	11.76	1.889	1	2.307	1.623	148.8	1.240
Canada	(C$)	20.36	3.974	3.497	0.980	0.434	1162	1.100	4.395	103.8	90.38	5.098	0.819	0.433	1	0.704	64.50	0.537
US	($)	28.95	5.649	4.971	1.393	0.617	1652	1.564	6.248	147.5	128.5	7.246	1.164	0.616	1.421	1	91.68	0.764
Japan	(Y)	31.57	6.161	5.422	1.519	0.673	1802	1.706	6.815	160.9	140.1	7.903	1.269	0.672	1.550	1.091	100.	0.833
Ecu		37.89	7.394	6.506	1.823	0.807	2162	2.047	8.177	193.1	168.1	9.484	1.523	0.806	1.860	1.309	120.0	1

Danish Kroner, French Franc, Norwegian Kroner, and Swedish Kronor per 10; Belgian Franc, Yen, Escudo, Lira and Peseta per 100.

■ D-MARK FUTURES (IMM) DM 125,000 per DM

	Open	Latest	Change	High	Low	Est. vol	Open int.
Mar	0.7121	0.7140	+0.0008	0.7195	0.7112	62,689	80,229
Jun	0.7145	0.7165	+0.0008	0.7220	0.7138	32,768	33,319
Sep	0.7230	0.7210	+0.0030	0.7238	0.7208	146	1,235

■ JAPANESE YEN FUTURES (IMM) Yen 12.5 per Yen 100

	Open	Latest	Change	High	Low	Est. vol	Open int.
Mar	1.0792	1.0862	+0.0069	1.0918	1.0765	43,741	69,672
Jun	1.0915	1.0989	+0.0075	1.1040	1.0890	33,651	29,358
Sep	1.1150	1.1139	-	1.1160	1.1139	426	1,224

■ SWISS FRANC FUTURES (IMM) SFr 125,000 per SFr

	Open	Latest	Change	High	Low	Est. vol	Open int.
Mar	0.8521	0.8540	+0.0005	0.8610	0.8513	47,467	37,109
Jun	0.8580	0.8597	+0.0004	0.8668	0.8580	26,379	16,509
Sep	0.8690	0.8650	+0.0068	0.8713	0.8650	177	379

■ STERLING FUTURES (IMM) £62,500 per £

	Open	Latest	Change	High	Low	Est. vol	Open int.
Mar	1.6212	1.6200	-0.0048	1.6266	1.6190	17,701	42,038
Jun	1.6220	1.6186	-0.0048	1.6260	1.6178	17,559	14,807
Sep	1.6188	1.6150	-0.0042	1.6188	1.6150	122	133

UK INTEREST RATES

LONDON MONEY RATES

Mar 7	Over-night	7 days notice	One month	Three months	Six months	One year
Interbank Sterling	6½ - 4¼	5⅞ - 5¾	6⅜ - 6¼	6$\frac{13}{16}$ - 6$\frac{11}{16}$	7⅛ - 7	7⅞ - 7¾
Sterling CDs	-	-	6⅜ - 6¼	6¾ - 6⅝	7 - 6⅞	7¾ - 7⅝
Treasury Bills	-	-	6¼ - 6⅛	6⅜ - 6¼	-	-
Bank Bills	-	-	6¼ - 6⅛	6⅝ - 6½	6$\frac{15}{16}$ - 6$\frac{13}{16}$	-
Local authority deps.	6⅛ - 5½	6⅛ - 6	6¼ - 6⅛	6¾ - 6⅝	7 - 6⅞	7¾ - 7⅝
Discount Market deps	6⅛ - 4½	5¾ - 5¼	-	-	-	-

UK clearing bank base lending rate 6¾ per cent from February 2, 1995

	Up to 1 month	1-3 month	3-6 months	6-9 months	9-12 months
Certs of Tax dep. (£100,000)	3	5	5½	6	6¼

Certs of Tax dep. under £100,000 is 2½pc. Deposits withdrawn for cash 1½pc. Ave. tender rate of discount 6.1282pc. ECGD fixed rate Stlg. Export Finance. Make up day Feb 28, 1995. Agreed rate for period Mar 26, 1995 to Apr 25, 1995, Scheme II & III 8.09pc. Reference rate for period Feb 1, 1995 to Feb 28, 1995, Scheme IV & V 6.763pc. Finance House Base Rate 7pc from Mar 1, 1995

■ THREE MONTH STERLING FUTURES (LIFFE) £500,000 points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	93.18	93.11	-0.10	93.20	93.07	21081	89410
Jun	92.47	92.33	-0.15	92.47	92.27	50824	100764
Sep	91.86	91.84	-0.18	91.95	91.80	21323	65087
Dec	91.61	91.50	-0.15	91.63	91.46	12114	48816

Also traded on APT. All Open interest figs. are for previous day.

■ SHORT STERLING OPTIONS (LIFFE) £500,000 points of 100%

Strike Price	Calls Mar	Calls Jun	Calls Sep	Puts Mar	Puts Jun	Puts Sep
9300	0.14	0.03	0.05	0.03	0.70	1.21
9325	0.02	0.01	0.03	0.16	0.93	1.44
9350	0	0.02	0.02	0.39	1.17	1.68

Est. vol. total, Calls 7178 Puts 10130. Previous day's open int., Calls 232919 Puts 198316

EMS EUROPEAN CURRENCY UNIT RATES

Mar 7	Ecu cen. rates	Rate against Ecu	Change on day	% +/- from cen. rate	% spread v weakest	Div. ind.
Netherlands	2.15214	2.07813	-0.00754	-3.44	8.59	-
Austria	13.4383	13.0400	-0.0480	-3.05	8.05	-
Germany	1.91007	1.85297	-0.00481	-2.99	7.98	-
Belgium	39.3960	38.3238	-0.0251	-2.72	7.70	20
Portugal	195.792	195.133	+0.016	0.17	4.87	-1
France	6.40608	6.36866	-0.00891	-0.90	4.65	10
Denmark	7.28580	7.50647	+0.00011	3.03	1.77	-21
Ireland	0.792214	0.818575	+0.00097	3.34	1.46	-23
Spain	162.493	170.377	+1.793	4.85	0.00	-34
NON ERM MEMBERS						
Greece	292.867	300.456	-1.153	2.59	-1.20	-
Italy	2106.15	2193.87	-12.47	4.16	0.67	-
UK	0.786652	0.816421	+0.012803	4.04	0.78	-

Ecu central rates set by the European Commission. Currencies are in descending relative strength. Percentage changes are for Ecu; a positive change denotes a weak currency. Divergence shows the ratio between two spreads: the percentage difference between the actual market and Ecu central rates for a currency, and the maximum permitted percentage deviation of the currency's market rate from its Ecu central rate.
(17/9/92) Sterling and Italian Lira suspended from ERM. Adjustment calculated by the Financial Times.

■ PHILADELPHIA SE £/$ OPTIONS £31,250 (cents per pound)

Strike Price	Calls Mar	Calls Apr	Calls May	Puts Mar	Puts Apr	Puts May
1.500	12.08	-	-	-	-	-
1.525	9.59	9.72	9.81	-	0.27	0.50
1.550	7.16	7.52	7.80	-	0.49	0.91
1.575	4.74	5.58	5.95	0.05	0.98	1.53
1.600	2.55	3.86	4.34	0.36	1.74	2.40
1.625	0.89	2.53	3.03	1.24	2.80	3.50

Previous day's vol., Calls 28,449 Puts 14,786 . Prev. day's open int., Calls 296,291 Puts 358,590

■ THREE MONTH EURODOLLAR (IMM) $1m points of 100%

	Open	Latest	Change	High	Low	Est. vol	Open int.
Mar	93.89	93.88	-0.01	93.89	93.87	44,556	341,855
Jun	93.34	93.35	-0.01	93.35	93.30	145,621	469,492
Sep	93.05	93.04	-0.01	93.04	92.98	117,427	316,654

■ US TREASURY BILL FUTURES (IMM) $1m per 100%

	Open	Latest	Change	High	Low	Est. vol	Open int.
Jun	93.86	93.87	-0.02	93.87	93.86	1,120	14,602
Sep	93.56	93.58	-0.01	93.58	93.54	406	7,865
Dec	-	-	-	93.37	-	551	6,013

All Open interest figs. are for previous day

■ EUROMARK OPTIONS (LIFFE) DM1m points of 100%

Strike Price	Calls Mar	Calls Apr	Calls May	Calls Jun	Puts Mar	Puts Apr	Puts May	Puts Jun
9475	0.18	0.05	0.09	0.12	0.01	0.20	0.24	0.27
9500	0.03	0.01	0.03	0.04	0.11	0.41	0.43	0.54
9525	0	0	0.01	0.01	0.33	0.65	0.66	0.66

Est. vol. total, Calls 9105 Puts 18270. Previous day's open int., Calls 204058 Puts 227756

■ EURO SWISS FRANC OPTIONS (LIFFE) SFr 1m points of 100%

Strike Price	Calls Mar	Calls Jun	Calls Sep	Puts Mar	Puts Jun	Puts Sep
9500	0.12	0.08	0.05	0	0.26	0.54
9525	0	0.02	0.02	0.10	0.47	0.78
9550	0	0.01	0	0.34	0.71	1.00

Est. vol. total, Calls 0 Puts 0. Previous day's open int., Calls 2023 Puts 2010

BASE LENDING RATES

	%		%		%
Adam & Company	6.75	Duncan Lawrie	6.75	•Roxburghe Guarantee Corporation Limited is no longer authorised as a banking institution	10
Allied Trust Bank	6.75	Exeter Bank Limited	7.75	Royal Bk of Scotland	6.75
AIB Bank	6.75	Financial & Gen Bank	7.00	•Singer & Friedlander	6.75
•Henry Ansbacher	6.75	•Robert Fleming & Co	6.75	•Smith & Williamson Secs	6.75
Bank of Baroda	6.75	Girobank	6.75	TSB	6.75
Banco Bilbao Vizcaya	6.75	•Guinness Mahon	6.75	•United Bk of Kuwait	6.75
Bank of Cyprus	6.75	Habib Bank AG Zurich	6.75	Unity Trust Bank Plc	6.75
Bank of Ireland	6.75	•Hambros Bank	6.75	Western Trust	6.75
Bank of India	6.75	Heritable & Gen Inv Bk	6.75	Whiteaway Laidlaw	6.75
Bank of Scotland	6.75	•Hill Samuel	6.75	Yorkshire Bank	6.75
Barclays Bank	6.75	C. Hoare & Co	6.75		
Brit Bk of Mid East	6.75	Hongkong & Shanghai	6.75		
•Brown Shipley & Co Ltd	6.75	Julian Hodge Bank	6.75		
Citibank NA	6.75	•Leopold Joseph & Sons	6.75	• Members of London Investment Banking Association	
Clydesdale Bank	6.75	Lloyds Bank	6.75	* In administration	
The Co-operative Bank	6.75	Meghraj Bank Ltd	6.75		
Coutts & Co	6.75	Midland Bank	6.75		
Credit Lyonnais	6.75	•Mount Banking	6.75		
Cyprus Popular Bank	6.75	NatWestminster	6.75		
		•Rea Brothers	6.75		

LONDON SHARE SERVICE

BANKS, MERCHANT

	Notes	Price	+ or -	1994/95 high	low	Mkt Cap£m	Yld Gr's	P/E
Barings Bsc Cm 3rd Prf.		60½	—	117	50½	6.31	19.8	-
9¼pc Non-Cum Prf		4½	—	137½	3	1.99	-	-
Cater Allen	♣†N□	428	—	630½	418	139.5	8.3	8.8
Close Bros	♣†N□	235	+3	285½	203	225.6	4.2	10.6
Gerrard & Nat	♣†N□	403	—	515	385	198.3	7.4	11.6
Hambros	♣†N□	208	-4	473	206	367.1	9.0	12.8
7½pc Cv Pf		99½xd	-½	191	90½	128.8	9.5	-
Joseph (L)	♣†N	388	—	443	388	20.6	5.7	11.3
King & Shaxson	♣N	88	-3	170	88	15.5	12.6	8.8
Kleinwort Benson	♣N□	505xd	-16	683	424	748.2	4.8	10.9
Rea Bros	♣†N□	59	—	79	53	24.1	2.0	16.2
Schroders	♣†N□	1403	-17	1574	1050	1,489	1.6	12.8
N/V	†N	1278	-12	1458	1043	370.8	1.8	11.7
Singer & Fried	♣†N□	83	—	114	75	161.2	4.7	10.7
Union	♣N□	75	—	169	72	18.9	5.1	♦
Warburg (SG)	♣N□	678	-12	1012	569	1,493	4.1	12.4
Whitnear	♣†N	219xd	—	390	203	18.3	6.2	14.4

BANKS, RETAIL

[illegible]

BREWERIES

[illegible]

BUILDING & CONSTRUCTION

[illegible]

BUILDING MATS. & MERCHANTS

[illegible]

BUILDING MATS. & MERCHANTS - Cont.

[illegible]

CHEMICALS

[illegible]

DISTRIBUTORS

[illegible]

DIVERSIFIED INDUSTRIALS

[illegible]

ELECTRICITY

[illegible]

ELECTRONIC & ELECTRICAL EQPT

[illegible]

ELECTRONIC & ELECTRICAL EQPT - Cont.

[illegible]

ENGINEERING

[illegible]

ENGINEERING, VEHICLES

[illegible]

EXTRACTIVE INDUSTRIES

[illegible]

FOOD PRODUCERS

[illegible]

GAS DISTRIBUTION

[illegible]

HEALTH CARE

[illegible]

HEALTH CARE - Cont.

[illegible]

HOUSEHOLD GOODS

[illegible]

INSURANCE

[illegible]

INVESTMENT TRUSTS

[illegible]

INVESTMENT TRUSTS - Cont.

[illegible]

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LONDON SHARE SERVICE

SOUTH AFRICANS

	Notes	Price	+ or –	1994/95 high	low	Mkt Cap£m	Yld Gr's	P/E
Anglo Am Ind		629	—	834	£13½	1,894	2.5	21.2
Barlow	♣	£5½	—	£5¾	£3½	1,138	1.7	21.1
Gold Flds Prop R		143xd	—	152	75	14.8	7.2	Φ
HK Props		85	—	98	65	3.42	13.8	–
SASOL		477	—	582	280	2,751	2.8	–
SA Brews		£14½	—	£16¾	£10	4,111	1.9	23.9
Tiger Oats		775	—	835	535	1,186	1.9	18.9
Tongaat-Hulett		762	—	782	356¼	694.5	1.8	23.0

GUIDE TO LONDON SHARE SERVICE

Prices for the London Share Service delivered by Extel Financial, a member of the Financial Times Group.

Company classifications are based on those used for the FT-SE Actuaries Share Indices.

Closing mid-prices are shown in pence unless otherwise stated. Highs and lows are based on intra-day mid- prices.

Where stocks are denominated in currencies other than sterling, this is indicated after the name.

Symbols relating to dividend status appear in the notes column daily as a guide to yields and P/E ratios. Dividends and Dividend covers are published on Monday.

Market capitalisation shown is calculated separately for each line of stock quoted.

Estimated price/earnings ratios are based on latest annual reports and accounts and, where possible, are updated on interim figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation, excluding exceptional profits/losses and unrelieved ACT where applicable. Yields are based on mid-prices, are gross, adjusted for a dividend tax credit of 20 per cent and allow for value of declared distribution and rights.

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm -) to the current closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

- □ Indicates the most actively traded stocks. This includes UK stocks where transactions and prices are published continuously through the Stock Exchange Automated Quotation system (SEAQ) and non-UK stocks through the SEAQ International system.
- • Highs and lows marked thus have been adjusted to allow for capital changes
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ‡‡ Figures or report awaited
- ♥ Rule 2.1(a)(v) Overseas incorporated companies listed on an approved exchange.
- ♣ Free annual/interim report available, see details below.
- ✠ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ‡‡ Rule 4.2(a) Irish incorporated non-listed companies.
- § Price at time of suspension
- ¶ Indicated dividend yield after pending scrip and/or rights issue.
- ♦ Merger bid or reorganisation in progress
- § Forecast dividend yield; p/e based on earnings updated by latest interim statement.
- ♠ Unregulated collective investment scheme.

a Yield based on annualised dividend
b Figures based on prospectus or other official estimates.
c Cents.
f Flat yield.
g Assumed dividend yield after rights issue.
h Assumed dividend yield after scrip issue.
n Rights issue pending
q Earnings based on preliminary figures.
s Dividend yield excludes a special payment.
t Indicated dividend yield, p/e ratio based on latest annual earnings.
u Forecast, or estimated annualised dividend yield, p/e based on previous year's earnings.
v Not subject to ACT.
z Dividend yield includes a special payment
F Yield based on prospectus or other official estimates for 1994-95.
G Assumed yield after pending scrip and/or rights issue.
H Yield based on prospectus or other official estimates for 1995.
K Yield based on prospectus or other official estimates for 1994
L Estimated annualised yield, p/e based on latest annual earnings.
M Yield based on prospectus or other official estimates for 1995-96.
N Figures based on BMR "Headline Earnings"
P Figures based on prospectus or other official estimates for 1994.
R Forecast annualised yield, p/e based on prospectus or other official estimates.
T Figures assumed.
W Pro forma figures.
Z Dividend yield to date.

Abbreviations:
xd ex dividend;
xc ex scrip issue;
xr ex rights;
xa ex all;
xl ex capital distribution.

This service is available to companies whose shares are regularly traded in the United Kingdom for a fee of £1275 a year for each security shown, subject to the Editor's discretion

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OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

GUERNSEY (SIB RECOGNISED)

GUERNSEY (REGULATED)(**)

IRELAND (SIB RECOGNISED)

IRELAND (REGULATED)(**)

ISLE OF MAN (SIB RECOGNISED)

ISLE OF MAN (REGULATED)(**)

JERSEY (SIB RECOGNISED)

JERSEY (REGULATED)(**)

LUXEMBOURG (SIB RECOGNISED)

LUXEMBOURG (REGULATED)(**)

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OTHER OFFSHORE FUNDS

OFFSHORE INSURANCES

LONDON STOCK EXCHANGE

MARKET REPORT

Heavy setback for regional electricity stocks

By Terry Byland,
UK Stock Market Editor

Widespread losses were suffered by UK equities yesterday as the pound and the US dollar came under renewed pressure. Equities weakened further at the close as bond markets fell in the wake of the wage settlement in Germany.

Domestic utility stocks, including the power generating stocks which started trading on Monday, were badly hit by an unexpected warning from the industry regulator of tighter pricing control over regional electricity companies.

Share prices quickly abandoned an initial response to Wall Street's firmer close overnight, and the Footsie fell below 3,000 as sterling dipped to new lows against the DMark; the Footsie was more than 25 points down at mid-session. Excellent trading results and dividend news from Barclays Bank had been widely expected and had little effect.

An attempt to recover ground in the afternoon was defeated when UK government bonds fell by more than a point and the Dow Jones Industrial Average opened the new session in poor shape, showing a fall of 43 points in London hours.

The FT-SE 100 Share Index ended the day 24.9 points down at 2,977, only 23 points above the low point for the year. Once again, weakness in the dollar hurt many international blue chip stocks. However, the exception was the pharmaceutical sector which blossomed as Glaxo triumphed in its £9bn plus bid for Wellcome. The stock market was happy to see the Glaxo bid succeed without a prolonged battle, since the Glaxo terms imply a heavy input of cash into the market.

Dealers stressed that selling pressure on the blue chips remained moderate. But the weakness in sterling provided an unhappy backcloth for today's routine policy discussions between the UK chancellor of the exchequer and the governor of the Bank of England.

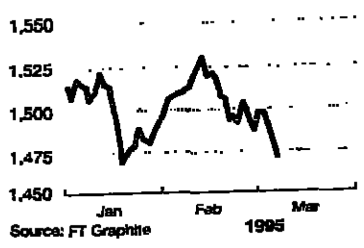
The harder blow to the market came from the shock delivered to the regional electricity stocks by the regulator, Professor Stephen Littlechild. Tighter pricing controls imply pressures on the profits and dividend outlook which has been the sector's chief attraction for investors. Share prices reacted sharply across the range.

In particular, shares in Northern Electric plunged well below the bid offer from Trafalgar House, despite Trafalgar's assurance that the bid will go ahead.

Investment sentiment was badly upset by the unexpected regulatory move, which brought angry reaction from investors who had bought the power generator stocks only 24 hours before Professor Littlechild delivered his message. Heavy falls in the regional electricity stocks hit the FT-SE Mid 250 Index, which crashed by 66.8 points to 3,327.9. Seaq volume jumped to 683.4m shares from 612.9m on Monday.

Market strategists put the best face possible on the latest slide in the London market. Selling pressure on the Footsie-listed stocks has not yet been dramatic and early moves in interest rates are not expected. However, upward pressures on UK base rates can only be increased if sterling continues to come under pressure.

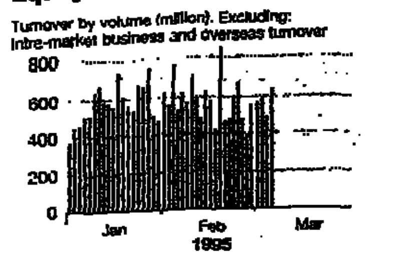
FT-SE-A All-Share index



Source: FT Graphite

Equity Shares Traded

Turnover by volume (million). Excluding: intra-market business and overseas turnover



Indices and ratios

FT-SE 100	2977.0	-24.9
FT-SE Mid 250	3327.9	-66.8
FT-SE-A 350	1485.5	-16.3
FT-SE-A All-Share	1470.41	-15.05
FT-SE-A All-Share yield	4.27	(4.21)
FT Ordinary index	2277.6	-9.8
FT-SE-A Non Fins p/e	16.62	(16.82)
FT-SE 100 Fut Mar	2973.0	-24.0
10 yr Gilt yield	8.90	(8.73)
Long gilt/equity yld ratio:	2.10	(2.09)

Best performing sectors

1. Pharmaceuticals .... +1.3
2. Oil, Integrated .... +0.5
3. Chemicals .... +0.3
4. Mineral Extraction .... +0.3
5. Food Producers .... +0.0

Worst performing sectors

1. Electricty .... -11.3
2. Utilities .... -4.5
3. Water .... -3.2
4. Paper, Pckg & Printing .... -3.0
5. Tobacco .... -2.2

Recs hit by price warning

Electricity industry regulator Professor Stephen Littlechild staged a one-man demolition of the utilities sectors by announcing that he is considering a tightening of price controls on the regional electricity companies from April 1, 1996.

The news hit the Recs like a bombshell, also causing severe damage to the two English generators, National Power and PowerGen, on their second trading session following the sale of the Government's remaining shareholding. Water shares lost ground, but held up better than the other utilities.

"To say it was a difficult day is an understatement," said one dealer. Marketmakers were said to have been inundated with selling orders from all sides, with US and Japanese investors rumoured to have been big sellers, particularly in the Gencos, at any price.

Utilities provided seven out of the FT-SE 100's 10 worst performers, led by Southern and Eastern Electricity and all but two of the worst 20 performers in the FT-SE Mid 250 index, the exceptions being Trafalgar House – involved in a bid for Northern Electricity and Portals.

Analysts said investors were seething with anger at the timing and content of the Offer statement. There were murmurs that several UK institutions were refusing to pay up for their National Power/PowerGen purchases; others suggested threats of legal action over the Genco sales.

Analysts said bid premiums in the Recs had disappeared at a stroke and that, at best, the short term outlook was that they might hold at present levels; at worst, there could be another five per cent downside. "It is impossible to value the stocks with the regulatory uncertainty surrounding them," said one analyst.

The worst individual performance came from South Western Electricity, one of the takeover favourites, whose shares plummeted 183, or 22.5 per cent, to 629p, closely followed by Yorkshire Electricity, down 180, or 21.3 per cent, to 664p and East Midlands Electricity, down 155, or 20.6 per cent to 595p. Of the two biggest Recs, Southern gave up 122, or almost 17 per cent, to 603p and Eastern 103, or 14.7 per cent, to 595p.

The stabilisation, or price-support process, helped National Power and PowerGen partly-paids rally from the day's lows. The former closed 10 off at 176¼p and the latter 9 lower at 189¼p. National Power old stock settled 18¼ lower at 438p and PowerGen old 22½ weaker at 468½p.

Northern Electricity ended 158 off at 897p with some analysts advising risk-averse clients to sell stock. Trafs shares fell 4½ to 58½p.

De La Rue plunges

Bank note group De La Rue plunged 143p to 889p after warning over the scope of future profits. Turnover of 8.5m shares was the highest on record.

The scale of the fall took a number of dealers by surprise as the profit warning was low key and merely warned that earnings growth would be modest. Also, it is believed that Cazenove, De La Rue's broker, which never comments on its strategies, had already made forecasts far below those of most sector specialists.

Following the company's announcement, analysts cut profit estimates by around 4 per cent for the current year and 7 per cent for the year to 1996. ABN Amro Hoare Govett reduced its current earnings per share figure to 54.4p and next year's to 58p, but analyst Ms Chris Munro said the near 14 per cent share price fall was overdone and provided an opportunity to buy.

Portals, the specialist paper group which De La Rue acquired in January, slipped 37 to 1043p.

Confidence that Glaxo has cleared the last significant hurdle in its bid to become the world's largest pharmaceuticals company saw the shares leap 19 to 667p.

Turnover of 31m was the heaviest in the stock since the 1987 market crash and the highest in the London market yesterday.

The rise came as the board of Wellcome recommended that shareholders accept Glaxo's £9bn-plus offer. It was clearly the biggest gain among leading stocks and represented almost 4 points on the FT-SE 100 Index.

Dealers were hugely relieved that no 'white knight' counter-bidder had emerged to force a bidding war. Several analysts are believed to be preparing buy recommendations on the basis that earnings will not be further diluted. At least two counter-bidders had expressed interest, Zeneca said to be the keenest.

There was similar relief over Zeneca, which would have probably had to sell some of its business and launch a rights issue to raise the cash to buy Glaxo. The group's shares jumped 14 to 878p. Wellcome slipped 9 to 1027p.

The oil sector was one of the few to register good gains. Enterprise Oil rose 5 to 395p on news of an encouraging oil discovery in the North Sea. The stock was additionally boosted by news that PDFM, one of the market's most influential fund management groups, had increased its Enterprise stake to over 10 per cent.

Dealers said the market was pleased with the unexpectedly good dividend from Barclays Bank, although there was some disappointment with the profit numbers which came in at the lower end of the market range. The shares closed 23¼ lower at 583¼p.

The massive falls in the utilities prompted speculation that many big marketmakers had incurred heavy losses on the day's trading and also unsettled merchant banks with big trading divisions. Kleinwort Benson, which along with BZW, advised the government on the Genco shares sale, lost 16 to 559p and SG Warburg gave up 12 to 679p. Smith New Court retreated 19 to 469p.

Speculation that Argyll could soon be on the receiving end of a bid from Hanson, boosted shares of the food retailer by a penny to 227p. Hanson closed unchanged at 232½p. While volume of 3.9m was modest, dealers reported heavy trading of the group's American Depositary Receipts with some 9.7m said to have been traded at $18.59 apiece.

Talk that Asda may sell its 40 per cent stake in Carpet Land continued to support the shares. They put on a ½ to 68¾p. Turnover was 7.9m.

Motor parts distributor Partco rose 9 to 245p on strong profits and dividend news.

Distribution and storage group Transport Development, one of the weakest share price performers of 1994, jumped 13 to 197p following an unexpectedly upbeat set of results. A number of houses edged up 1995 estimates and Smith New Court switched from a sell recommendation to hold.

Trading in Kalon was suspended at 139p, up 33¼p on the day, after the paints group announced it was to merge with the paints arm of Total of France.

RTZ slipped on currency concerns but steadied after announcing it had agreed to buy 10.4 per cent of Freeport-McMoRan Copper & Gold for $450m. The shares rallied from their lows to close 10 off at 729p.

FINANCIAL TIMES EQUITY INDICES

	Mar 7	Mar 6	Mar 3	Mar 2	Mar 1	Yr ago	*High	*Low
Ordinary Share	2277.6	2287.4	2301.6	2311.3	2312.5	2559.0	2713.6	2238.3
Ord. div. yield	4.62	4.61	4.58	4.56	4.55	3.62	4.66	3.43
Earn. yld. % full	7.25	7.22	7.17	7.14	7.13	4.61	7.25	3.82
P/E ratio net	16.32	16.37	16.49	16.56	16.59	22.45	33.43	16.32
P/E ratio nil	15.86	15.91	16.02	16.09	16.12	23.53	30.80	15.86

*For 1994/5. Ordinary Share index since compilation: high 2713.6 2/02/94; low 49.4 26/6/40
FT Ordinary Share index base date 1/7/35.

Ordinary Share hourly changes

Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.00	High	Low
2294.6	2293.2	2287.9	2290.6	2285.1	2278.7	2277.2	2280.8	2278.8	2294.6	2276.6

	Mar 7	Mar 6	Mar 3	Mar 2	Mar 1	Yr ago
SEAQ bargains	29,488	26,236	19,928	21,304	20,467	33,509
Equity turnover (£m)†	-	1681.9	940.6	1835.0	1582.2	1685.5
Equity bargains†	-	36,710	27,586	28,575	27,229	38,383
Shares traded (mil)†	-	644.8	444.5	594.5	574.6	827.8

†Excluding intra-market business and overseas turnover.

London market data

Rises and falls*		1994/95 Highs and lows		LIFFE Equity options	
Total Rises	490	Total Highs	12	Total contracts	41,123
Total Falls	722	Total Lows	206	Calls	19,798
Same	1634			Puts	21,325

March 7 *Data based on Equity shares listed on the London Share Service.

FUTURES AND OPTIONS

FT-SE 100 INDEX FUTURES (LIFFE) £25 per full index point (APT)

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	3003.0	2973.0	-24.0	3007.0	2960.0	15535	44425
Jun	3009.0	2979.0	-23.6	3011.0	2967.0	2577	21766
Sep	3021.0	3001.0	-25.0	3021.0	3021.0	10	315

FT-SE MID 250 INDEX FUTURES (LIFFE) £10 per full index point

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	3375.0	3330.0	-45.0	3375.0	3330.0	809	2961
Jun	3362.0	3350.0	-44.5	3352.0	3351.5	606	1153

FT-SE 100 INDEX OPTION (LIFFE) (*2979) £10 per full index point

	2800 C	2800 P	2850 C	2850 P	2900 C	2900 P	2950 C	2950 P	3000 C	3000 P	3050 C	3050 P	3100 C	3100 P	3150 C	3150 P
Mar	179½	1	129½	4	83½	9½	45	22½	19½	47½	6½	85	1½	133	1	183
	183	13½	142	22	105	38	74	56	48	81	29	112	17	150	8	192
May	198½	23½	160½	35½	125½	49½	96½	69½	70½	83½	48½	122½	33½	157½	28½	196½
Jun	209	33	172	46½	139	62½	109½	82½	84½	106½	62½	135	46	169	31½	205½
Dec†	292½	75			231½	109½			175½	153½			130	206		

Calls 8,756 Puts 8,546

EURO STYLE FT-SE 100 INDEX OPTION (LIFFE) £10 per full index point

	2775 C	2775 P	2825 C	2825 P	2875 C	2875 P	2925 C	2925 P	2975 C	2975 P	3025 C	3025 P	3075 C	3075 P	3125 C	3125 P
Mar	198½	7½	149½	1½	103	5	61	13	29	31	11½	63	4	106	1½	152
Apr	200½	11	159	18½	121	30	87½	45½	59½	67½	38	95½	22½	130	12½	169
May	223	20	181½	28½	144	41	110	57	81	78	57½	104½	39	136	25½	172½
Jun	231½	31½	194	43	158½	56½	127½	74½	99½	95½	75½	120½	66	150	46	183½
Sept†			138	68			172½	99½			117½	140½			75½	195

Calls 3,783 Puts 821 * Underlying index value. Premiums shown are based on settlement prices.
† Long dated expiry months.

LONDON RECENT ISSUES: EQUITIES

Issue price p	Amt paid up	Mkt. cap (£m.)	1994/95 High	1994/95 Low	Stock	Close price p	+/-	Net div.	Div. cov.	Grs yld	P/E net
§10	F.P.	16.5	13¼	12¼	Bath Press	12½		-	-	-	-
-	F.P.	28.5	126	123	Colleagues	126		-	-	-	-
§125	F.P.	21.1	131	128	GET Group	128		N-	-	-	11.1
100	F.P.	30.3	101	101	Geared Inc Inv C	101		-	-	-	-
-	F.P.	21.8	87	83	Inv Tst of Inv Tsts	84		-	-	-	-
-	F.P.	2.91	59	56	Do. Warrants	56		-	-	-	-
-	F.P.	26.4	55	48¼	Lazard Birla India	50¾	+¾	-	-	-	-
-	F.P.	3.04	32½	28	Do Warrants	29¼	+¼	-	-	-	-
35	F.P.	21.4	36	33	MCIT S Cap	33	-1	-	-	-	-
35	P.P.	23.4	36	36	MCIT S Inc	36		-	-	-	-
-	F.P.	0.47	5	4½	Melrose Warrants	4½		-	-	-	-
476	170	6,185.6	193	163½	*Natl Power (P/P)	176½	-10	FN15.45	2.6	4.0	13.2
150	F.P.	15.8	160	150	Photobition	153		RN6.0	2.0	4.9	11.1
512	185	4,054.5	206	181	*PowerGen (P/P)	189½	-9	FN15.0	3.2	3.6	11.1
-	F.P.	24.1	101½	100	Throg Ol Zero Pf	101½	+½	-	-	-	-
-	F.P.	4.40	11¼	10½	Wessex Trust	11		-	-	-	-
145	F.P.	64.5	178	170	Zotefoams	178		W4.65	2.1	3.3	18.0

* Note: Issue price 10p higher for institutional and overseas investors.

FT GOLD MINES INDEX

	Mar 6	% chg on day	Mar 3	Mar 2	Year ago	Gross div yield %	52 week High	52 week Low
Gold Mines Index (34)	1724.26	+2.3	1686.31	1703.25	1946.11	2.26	2337.90	1637.91
Regional Indices								
Africa (16)	2570.58	+1.8	2524.36	2540.50	2648.84	5.38	3711.87	2304.45
Australasia (7)	1929.16	-0.7	1942.24	1950.23	2321.00	0.85	2951.49	1788.20
North America (11)	1448.06	+3.1	1404.28	1423.11	1692.73	0.78	1911.21	1348.18

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Figures in brackets show number of companies. Basis US Dollars. Base Values: 1000.00 31/12/92.
Latest prices were unavailable for this edition.

FT - SE Actuaries Share Indices — The UK Series

	Mar 7	Day's chge%	Mar 6	Mar 3	Mar 2	Year ago	Div. yield%	Earn. yield%	P/E ratio	Xd adj. ytd	Total Return
FT-SE 100	2977.0	-0.8	3001.9	3025.1	3038.2	3264.4	4.49	8.02	14.79	16.96	1142.92
FT-SE Mid 250	3327.9	-2.0	3394.7	3391.4	3396.4	3923.1	3.84	6.75	17.73	12.83	1258.56
FT-SE Mid 250 ex Inv Trusts	3335.5	-2.1	3408.2	3401.8	3405.5	3939.2	3.99	7.30	16.50	13.08	1259.69
FT-SE-A 350	1485.5	-1.1	1501.8	1510.5	1516.0	1656.4	4.34	7.73	15.37	7.84	1166.55
FT-SE-A 350 Higher Yield	1507.8	-1.4	1528.8	1535.1	1541.5	1658.7	5.36	8.28	14.37	11.43	975.25
FT-SE-A 350 Lower Yield	1462.7	-0.8	1474.7	1484.5	1490.2	1612.3	3.29	7.19	16.54	4.33	966.98
FT-SE SmallCap	1691.06	-0.1	1692.97	1694.11	1695.50	2026.60	3.45	6.11	20.31	6.86	1327.09
FT-SE SmallCap ex Inv Trusts	1672.04	-0.1	1673.62	1673.06	1673.82	2007.87	3.65	6.82	18.44	6.35	1316.25
FT-SE-A ALL-SHARE	1470.41	-1.0	1485.46	1493.40	1498.57	1648.20	4.27	7.60	15.67	7.62	1174.21

FT-SE Actuaries All-Share

	Mar 7	Day's chge%	Mar 6	Mar 3	Mar 2	Year ago	Div. yield%	Earn yield%	P/E ratio	Xd adj. ytd	Total Return
10 MINERAL EXTRACTION(24)	2573.05	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
12 Extractive Industries(7)	3351.20	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
15 Oil, Integrated(3)	2576.07	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
16 Oil Exploration & Prod(14)	1901.30	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
20 GEN INDUSTRIALS(278)	1788.48	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
21 Building & Construction(38)	907.05	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
22 Building Matls & Merchs(31)	1662.45	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
23 Chemicals(23)	2120.83	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
24 Diversified Industrials(17)	1743.59	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
25 Electronic & Elect Equip(36)	1983.45	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
26 Engineering(72)	1722.26	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
27 Engineering, Vehicles(13)	2067.00	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
28 Paper, Pckg & Printing(27)	2695.37	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
29 Textiles & Apparel(21)	1395.77	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
30 CONSUMER GOODS(89)	2825.51	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
31 Breweries(18)	2092.29	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
32 Spirits, Wines & Ciders(10)	2507.59	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
33 Food Producers(24)	2330.12	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
34 Household Goods(10)	2476.11	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
36 Health Care(18)	1800.21	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
37 Pharmaceuticals(13)	3574.39	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
38 Tobacco(2)	3446.71	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
40 SERVICES(226)	1814.45	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
41 Distributors(32)	2272.73	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
42 Leisure & Hotels(29)	2043.80	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
43 Media(43)	2690.36	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
44 Retailers, Food(16)	1757.62	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
45 Retailers, General(44)	1495.64	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
48 Support Services(38)	1420.33	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
49 Transport(21)	2103.41	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
51 Other Services & Business(7)	1164.44	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
60 UTILITIES(37)	2218.05	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
62 Electricity(17)	2141.31	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
64 Gas Distribution(2)	1893.04	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
66 Telecommunications(5)	1908.86	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
68 Water(13)	1747.68	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
69 NON-FINANCIALS(684)	1591.14	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
70 FINANCIALS(115)	2081.93	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
71 Banks, Retail(9)	2704.48	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
72 Banks, Merchant(6)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
73 Insurance(26)	1186.76	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
74 Life Assurance(6)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
77 Other Financial(23)	1823.51	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
79 Property(48)	1395.74	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
80 INVESTMENT TRUSTS(130)	2647.93	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
89 FT-SE-A ALL-SHARE(929)	1470.41	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
FT-SE-A Fledgling	955.54	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
FT-SE-A Fledgling ex Inv Trusts	954.81	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Hourly movements

	Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.10	High/day	Low/day
FT-SE 100	3005.7	3002.4	2984.6	2998.6	2992.1	2977.7	2978.1	2982.2	2979.6	3005.7	2976.5
FT-SE Mid 250	3365.9	3362.0	3343.2	3347.4	3348.2	3317.1	3326.1	3330.3	3328.4	3367.2	3315.3
FT-SE-A 350	1500.4	1498.7	1493.6	1495.8	1493.2	1484.6	1485.7	1487.7	1486.5	1500.4	1484.2

Time of FT-SE 100 Day's high: 8.30am Day's low: 1.04pm. FT-SE 100 1994 High: 3520.3(2/2/94) Low: 2876.6(24/6/94).

FT-SE Actuaries 350 Industry baskets

	Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.10	Close	Previous	Change
Bldg & Cnstrcn	854.6	858.0	857.7	858.1	858.4	856.3	858.3	858.9	857.2	857.2	853.8	+3.4
Pharmaceuticls	3514.1	3604.7	3584.6	3573.4	3557.5	3552.9	3551.7	3538.9	3562.2	3545.7	3498.7	+47.0
Water	1749.7	1713.8	1724.0	1761.2	1760.3	1723.6	1733.7	1736.1	1740.4	1740.4	1799.5	-59.1
Banks, Retail	2766.0	2773.7	2770.0	2776.7	2771.3	2756.7	2755.9	2761.9	2749.9	2739.0	2771.0	-32.0

Additional information on the FT-SE Actuaries Share Indices is published in Saturday issues. Lists of constituents are available from The Financial Times Limited, One Southwark Bridge, London SE1 9HL. The FT-SE Actuaries Share Indices Service, which covers a range of electronic and paper-based products relating to these indices, is available from FINSTAT, Fitzroy House, 13-17 Epworth Street, London EC2A 4DL.
The FT-SE 100, the FT-SE Mid 250, FT-SE Actuaries 350 and the FT-SE Actuaries Industry baskets are calculated by the International Stock Exchange of the United Kingdom and Republic of Ireland and the FT-SE Actuaries All-Share Index is compiled by The Financial Times Limited, both in conjunction with the Institute of Actuaries and the Faculty of Actuaries under a standard set of ground rules. © The International Stock Exchange of the United Kingdom and Republic of Ireland Limited 1995. © The Financial Times Limited 1995. All rights reserved. "FT-SE" and "Footsie" are joint trade marks and service marks of the London Stock Exchange and The Financial Times Limited. The FT-SE Actuaries Share Indices are audited by The WM Company.
† Sector P/E ratios greater than 80 are not shown. ± Values are negative.

TRADING VOLUME

Major Stocks Yesterday

	Vol. 000s	Closing price	Day's change
3i†	146	346	
ASDA Group†	7,900	68¾	+½
Abbey National†	3,300	440½	+1½
Albert Fisher	3,300	41	-1
[illegible]	[illegible]	[illegible]	[illegible]

Based on trading volume for a selection of major securities dealt through the SEAQ system yesterday [illegible] Index constituent. [illegible]

PERSONAL

AT CHATEAU TILQUES TONIGHT the Three of Diamonds will be chosen.

WORLD STOCK MARKETS

INDICES

	Mar 7	Mar 6	Mar 3	1994/5 High		1994/5 Low	
Argentina							
General (29/12/77)	(u)	10746.47	10983.53	26478.40	16/2/94	10746.47	6/3/95
Australia							
All Ordinaries(1/1/80)	1891.2	1891.6	1902.4	2340.68	3/2/94	1823.39	8/2/95
All Mining(1/1/80)	838.2	839.0	840.8	1136.10	3/2/94	795.29	8/2/95
Austria							
Credit Aktien(30/12/84)	373.15	374.99	377.98	486.68	2/2/94	361.34	3/2/95
Traded Index(2/1/91)	1005.68	1011.28	1021.41	1222.25	1/2/94	988.30	3/2/95
Belgium							
BEL20 (1/1/91)	1276.58	1298.46	1322.57	1542.65	9/2/94	1276.58	7/3/95
Brazil							
Bovespa (29/12/83)	(u)	28672.0	29880.0	55110.00	13/9/94	3808.90	3/1/94
Canada							
Metals Minls♦(1975)	(u)	3838.69	3862.95	4326.67	18/1/95	3288.86	20/4/94
Composite♦ (1975)	(u)	4117.10	4097.00	4609.99	23/3/94	3959.90	24/6/94
Portfolio§§ (4/1/83)	(u)	2042.35	2029.37	2182.69	1/2/94	1888.49	28/6/94
Chile							
IPGA Gen (31/12/80)	(u)	5007.4	5104.1	6754.40	21/11/94	3901.20	4/4/94
Denmark							
CopenhagenSE(3/1/83)	346.56	348.72	351.71	415.79	2/2/94	335.68	20/12/94
Finland							
HEX General(28/12/90)	1658.8	1659.3	1694.8	1972.69	4/2/94	1601.10	3/1/94
France							
SBF 250 (31/12/90)	1168.86	1181.54	1192.77	1585.20	2/2/94	1168.86	7/3/95
CAC 40(31/12/87)	1748.61	1773.25	1795.24	2355.93	2/2/94	1748.61	7/3/95
Germany							
FAZ Aktien(31/12/58)	770.71	771.78	785.59	859.27	18/5/94	742.04	5/10/94
Commerzbank(1/12/53)	2195.0	2198.8	2237.2	2485.50	3/5/94	2116.39	5/10/94
DAX (30/12/87)‡	2053.34	2070.32	2109.49	2271.11	16/5/94	1999.59	7/10/94
Greece							
Athens SE(31/12/80)	819.64	(c)	815.60	1194.59	18/1/94	789.22	8/2/95
Hong Kong							
Hang Seng(31/7/64)	8138.66	8093.91	8185.15	12201.09	4/1/94	6967.93	23/1/95
India							
BSE Sens.(1979)	3498.42	3540.76	3526.36	4629.57	12/9/94	3233.31	22/2/95
Indonesia							
Jakarta Comp.(10/8/82)	447.22	(c)	(c)	612.89	5/1/94	402.95	25/1/95
Ireland							
ISEQ Overall(4/1/88)	1830.50	1854.44	1862.15	2082.16	20/1/94	1694.14	1/7/94
Italy							
Banca Comm Ital (1972)	629.96	622.71	628.36	817.17	10/5/94	581.84	13/12/94
MIB General (2/1/95)	995.0	984.0	995.0	1318.09	10/5/94	974.08	27/2/95
Japan							
Nikkei 225 (16/5/49)	16955.28	17040.72	17039.62	21552.81	13/6/94	16818.71	1/3/95
Nikkei 300 (1/10/82)	249.45	251.00	251.09	311.71	13/6/94	242.85	27/2/95
Topix (4/1/68)	1353.28	1361.65	1362.64	1712.73	13/6/94	1320.98	27/2/95
2nd Section (4/1/68)	1767.93	1767.78	1801.19	2542.65	6/7/94	1739.66	27/2/95
Malaysia							
KLSE Comp.(4/4/86)	947.23	953.40	(c)	1314.46	5/1/94	840.67	24/1/95
Mexico							
IPC (Nov 1978)	(u)	1522.72	1519.52	2881.17	8/2/94	1447.52	27/2/95
Netherland							
CBS TtlRtnGen(End 83)	428.5	431.6	434.7	454.80	31/1/94	405.30	21/6/94
CBS All Shr (End 83)	268.8	270.8	272.7	294.80	31/1/94	257.80	21/6/94
New Zealand							
Cap. 40 (1/7/86)	1981.90	1965.03	1980.50	2439.64	3/2/94	1878.08	12/12/94
Norway							
Oslo SE(Ind)(2/1/83)	1061.80	1058.35	1079.51	1211.10	28/2/94	980.91	21/6/94
Philippines							
Manila Comp (2/1/85)	2447.40	2456.54	2448.52	3308.37	4/1/94	2374.85	24/1/95
Portugal							
BTA (1977)	2733.4	2734.0	2735.1	3226.60	18/2/94	2612.89	20/6/94
Singapore							
SES All-S'pore(2/4/75)	508.88	506.79	(c)	641.61	4/1/94	472.80	23/1/95
South Africa							
JSE Gold (28/9/78)	1550.3▼	1485.6	1479.0	2534.00	7/9/94	1479.00	3/3/95
JSE Indl. (28/9/78)	6598.2▼	6577.8	6541.5	6884.40	30/12/94	5448.00	19/1/94
South Korea							
KoreaCmpEx(4/1/80)**	936.13	933.44	907.96	1138.75	8/11/94	855.37	2/4/94
Spain							
Madrid SE (30/12/85)	274.41	280.76	281.22	358.31	31/1/94	274.41	7/3/95
Sweden							
AffarsvardnGen (1/2/37)	1449.4	1457.7	1489.5	1603.90	31/1/94	1334.70	8/7/94
Switzerland							
Swiss Bk Ind (31/12/58)	1219.48	(u)	1241.29	1423.34	31/1/94	1138.72	27/10/94
SBC General (1/4/87)	897.90	(u)	911.46	1093.29	31/1/94	876.57	27/10/94
Taiwan							
WeightedPr.(30/6/66)**	6480.76	6474.94	6610.83	7191.13	1/11/94	5194.63	19/3/94
Thailand							
Bangkok SET (30/4/75)	1237.31	1255.73	1262.35	1753.73	4/1/94	1191.26	23/1/95
Turkey							
Istanbul Cmp.(Jan 1986)	31499.8	31385.6	(c)	31499.80	7/3/95	12980.70	24/3/94
WORLD							
MS Capital Int (1/1/70)$	624.4*	626.0	623.8	648.80	2/11/94	591.60	1/11/94
CROSS-BORDER							
Eurotrack 100(26/10/90)	1249.20	1261.18	1283.06	1540.19	31/1/94	1249.20	7/3/95
Euro Top-100 (26/6/90)	1138.15	1144.03	1158.19	1311.81	2/2/94	1136.48	5/10/94
JCapelDrgns (31/12/88)	(u)	294.25	296.72	395.19	5/1/94	261.46	23/1/95
Barings Emerg.(7/1/92)	124.59	128.67	128.68	191.79	26/9/94	124.39	7/3/95

INDEX FUTURES

	Open	Sett Price	Change	High	Low	Est. vol.	Open Int.
CAC-40							
Mar	1790.0	1758.0	-19.0	1791.0	1755.0	27,913	38,080
Apr	1795.0	1765.0	-18.0	1798.0	1766.0	-	2,872
DAX							
Mar	2084.0	2046.0	-19.5	2084.5	2043.5	29,252	
Jun	2101.0	2064.0	-22.0	2103.0	2062.0	7,864	
OMX							
Feb	-	-	-	-	-	-	-
Mar	1116.00	1099.50	-21.50	1119.00	1097.00	14,376	16,617
SOFFEX							
Mar	2568.0	2554.0	-9.5	2574.0	2544.1	5,141	16,104
Apr	2582.0	2561.9	-22.0	2562.0	2558.0	129	992

** Sat Mar 4 : Taiwan Weighted Price 6530.74; Korea Comp Ex 918.15. Base values of all indices are 100 except Australia All Ordinary and Mining – 500; Austria Traded, BEL20, HEX Gen., MIB Gen., SBF250, CAC40, Euro Top-100, ISEQ Overall; Toronto Comp./Metals & Minerals and DAX – all 1,000; JSE Gold – 255.7; JSE 20 Industrials – 264.3; NYSE All Common – 50 and Standard and Poor's – 10. §§ Montreal. ♦ Toronto. (c) Closed. (u) Unavailable. ‡ IBIS/DAX after-hours index: Mar 7 - 2041.26 -28.69

US INDICES

Dow Jones	Mar 6	Mar 3	Mar 2	1994/5 High	1994/5 Low	Since compilation High	Since compilation Low
Industrials	3997.56	3989.61	3979.93	4011.74 (24/2/95)	3593.35 (4/4/94)	4011.74 (24/2/95)	41.22 (2/7/32)
Home Bonds	96.79	97.07	97.09	105.61 (21/1/94)	93.56 (30/12/94)	109.77 (16/10/93)	54.99 (1/10/81)
Transport	1584.25	1572.87	1578.92	1862.29 (2/2/94)	1371.89 (13/12/94)	1862.29 (2/2/94)	12.32 (8/7/32)
Utilities	188.77	190.09	190.02	227.08 (3/1/94)	173.94 (22/11/94)	256.46 (31/8/93)	10.50 (8/4/32)

DJ Ind. Day's high 4015.89 (4004.83) Low 3944.31 (3946.03) (Theoretical♦)
Day's high 4001.02 (3989.61) Low 3956.72 (3969.16) (Actual♦)

Standard and Poors	Mar 6	Mar 3	Mar 2	1994/5 High	1994/5 Low	Since compilation High	Since compilation Low
Composite ‡	485.63	485.42	485.13	488.11 (24/2/95)	438.92 (4/4/94)	488.11 (24/2/95)	4.40 (1/6/32)
Industrials▼	576.57	575.16	573.93	576.57 (6/3/95)	510.05 (21/4/94)	576.57 (6/3/95)	3.62 (21/6/92)
Financial	45.63	45.90	46.11	48.94 (14/6/94)	39.67 (22/11/94)	48.40 (28/8/93)	8.64 (1/10/74)
NYSE Comp.	263.11	263.29	263.36	267.71 (2/2/94)	243.14 (4/4/94)	267.71 (2/2/94)	4.46 (25/4/42)
Amex Mkt Val	452.07	453.49	453.06	487.89 (2/2/94)	420.23 (13/12/94)	487.89 (2/2/94)	29.31 (9/12/72)
NASDAQ Cmp	797.77	798.79	793.68	803.93 (18/3/94)	693.79 (24/6/94)	803.93 (18/3/94)	54.87 (31/10/72)

RATIOS

	Mar 3	Feb 24	Feb 17	Year ago
Dow Jones Ind. Div. Yield	2.73	2.69	2.72	2.62
	Mar 1	Feb 22	Feb 15	Year ago
S & P Ind. Div. yield	2.36	2.36	2.36	2.39
S & P Ind. P/E ratio	17.32	19.60	19.57	24.34

NEW YORK ACTIVE STOCKS

Monday	Stocks traded	Close price	Change on day
Hanson	14,115,500	19	-⅛
RJR Nabisco	8,700,800	5½	-⅛
Telefonos	5,955,800	25⅞	-1⅛
Reading Bts	5,822,000	7⅝	-⅛
IBM	5,042,200	80⅜	+¾
Adv Micro	4,955,500	34	+2½
YPF Soc	4,305,200	15¾	+⅛
Micron	3,797,700	68⅞	+1⅞
Philip Morris	3,333,100	63	+1
Merck	3,121,800	42⅞	+⅜

TRADING ACTIVITY

♦ Volume (million)

	Mar 6	Mar 3	Mar 2
New York SE	298.855	330.832	329.421
Amex	14.241	16.394	17.808
NASDAQ	241.732	289.307	272.650
NYSE			
Issues Traded	2,945	2,922	2,945
Rises	773	980	1,002
Falls	1,447	1,154	1,177
Unchanged	725	788	766
New Highs	53	45	50
New Lows	77	68	43

	Open	Latest	Change	High	Low	Est. vol.	Open Int.
S&P 500							
Mar	486.35	485.30	-0.90	486.40	484.30	65,721	164,807
Jun	-	489.10	-1.00	489.10	488.45	18,585	57,292
Nikkei 225							
Mar	17120.0	16990.0	-70.0	17130.0	16950.0	14,164	75,563
Jun	17170.0	17050.0	-80.0	17190.0	17000.0	21,356	94,498

Open interest figures for previous day.

† Correction. * Calculated at 15.00 GMT. ● Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. ♦ The DJ Indl. Index theoretical day's highs and lows are the averages of the highest and lowest prices reached during the day by each stock; whereas the actual day's highs and lows (supplied by Telekurs) represent the highest and lowest values that the index has reached during the day. (The figures in brackets are previous day's). ▼ Subject to official recalculation.

Prices supplied by Telekurs

NOTES - Prices on this page are as quoted on the individual exchanges and are mostly last traded prices. Highs/Lows are for 1995, except Toronto & Montreal (daily). # Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all.

TOKYO - MOST ACTIVE STOCKS: Tuesday, March 7, 1995.

	Stocks Traded	Closing Prices	Change on day
Nippon Steel	9.0m	345	+4
Sumitomo Constn	6.3m	762	+11
Tokyo Gas	5.1m	367	-7
Chiba Bank	4.3m	745	-2
NKK Corp	3.6m	246	-5
Hitachi	2.7m	865	-9
Toshiba Corp	2.5m	606	-9
Mitsubishi Heavy	2.4m	630	-2
Kawasaki Steel	2.1m	348	
Penta Ocean	2.1m	773	

4 pm close March 7

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

1995 High	Low	Stock	Div	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Chng Prev. Close
14¼	13	AAR	0.48	3.6	24	224	13⅝	13¼	13½	-⅛
22⅛	19¼	ALPharmaA	0.18	0.9	359	242	21⅛	20¾	20¾	-⅛
38¼	35	AMP	0.92	2.5	21	2967	37¾	37	37½	
62¾	53⅞	AMR			26	6440	60⅞	59⅞	60	-⅞
48⅜	41⅞	ASA	1.71	3.6	31	5525	u47⅞	44⅝	47⅞	+3¾
36	30¾	AbbotL	0.84	2.4	18	7668	35	34⅝	34¾	-⅜
14	12⅜	Abitibi Pr	0.50	4.1	11	160	12½	d12⅛	12⅛	-¼
24⅜	22⅛	ABM Ind	0.60	2.6	13	133	22¾	22⅝	22¾	
16⅝	14½	Acpincain			11	50	15¾	15⅜	15⅜	
25⅞	21⅞	ACE Ltd	0.44	1.8	7	24	24	23½	23⅞	-⅛
9¾	8⅞	ACM Gvt In x	0.90	10.1	7	694	9	d8¾	8⅞	-⅛
7½	7	ACM GvOpp x	0.66	9.6		234	7	d6⅞	6⅞	-⅛
7½	6½	ACM Gvt Sp x	0.75	12.2		985	6½	d6	6⅛	-⅜
8⅝	7¼	ACM Gvt Se x	0.90	11.8		767	7⅞	d7⅝	7⅝	-⅛
8½	7⅝	ACM Man x	1.08	13.5		49	8	7⅞	8	
7⅝	7¼	ACM Managd x	0.72	10.1		247	7⅜	d7⅛	7⅛	-¼
16¼	10¼	AcmeClv	0.48	3.5	8	333	13⅞	13⅝	13¾	-¼
21½	12⅜	Acme Elect			20	183	17⅞	17⅜	17½	-¼
34½	31⅜	Acordia	0.72	2.1	17	8	33⅞	33¾	33⅞	
11⅜	8⅝	Actava	0.36	3.6	3	513	10⅛	9⅞	10	-⅛
16¾	12⅛	Acuson			19	453	12⅜	d12	12	-⅜
16⅝	15⅝	Adams Expr	0.36	2.2	0	113	16¼	16⅛	16⅛	-⅛
68½	53	Ad Micro	3.00	4.5		151	68	66	66	-1½
34¾	25	AdvMic	3.00	8.9	9	22380	u34⅞	32⅞	33¼	-½
6⅜	5	Advest Grp	0.16	2.7	29	12	5⅞	5⅞	5⅞	
18¼	16½	Advo Inc	0.10	0.5	15	66	18¾	18½	18¾	
70⅛	63⅞	Aegon ADR	1.47	2.1	13	22	u70⅝	69⅞	70⅝	+⅝
4⅛	3⅜	Aorfix			5	107	4¼	4⅛	4⅛	
56	46¾	Aetna	2.76	5.2	12	1801	54⅜	53⅛	53⅛	-1⅛
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4 pm close March 7

NYSE COMPOSITE PRICES

Continued from previous page

1995 High	Low	Stock	Div.	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
11⅝	10⅝	Salomon Br	0.38	3.4	23	414	11⅜	11¼	11¼	
40⅛	33¾	Salomn	0.64	1.9	8	3706	34½	d33	33	-1½
21⅝	19⅛	SnDgGE	1.56	7.6	17	515	20⅝	20⅛	20⅝	+⅛
9½	8	SantaFeEPs	0.16	1.8	147	2978	9	8⅝	8⅞	-⅛
12¾	9	SFeGd			26	12299	12¼	11	12¼	-1⅜
36½	33¾	SFePPipe	2.80	7.8	5	64	36⅛	35⅞	35⅞	-⅜
21⅞	17⅛	SonFeP	0.10	0.5	19	7712	21⅛	20¾	20⅞	-¼
27⅛	24¼	SaraLee	0.68	2.7	51	7446	25½	25	25½	
45⅛	42	Scana Corp	2.88	6.8	11	194	42⅞	42⅛	42⅛	-⅛
16⅝	14½	Scecrp	1.00	6.6	10	7230	15½	15½	15¼	-¼
11¼	8½	ScheinA	0.26	3.0	30	155	8⅝	d8½	8⅝	
45¾	40⅞	ScheringP			28	567	46	45⅛	45⅛	-⅝
79⅛	71	SchrPl	2.04	2.6	16	2492	78½	77	77½	-⅜
57¾	50⅛	Schlmb	1.20	2.1	25	3651	u57⅞	56⅞	57	-¼
46⅛	28⅞	Schwab(C)	0.24	0.8	19	2608	32	30¾	30⅞	-¼
10⅞	7¼	Schwitzer			6	180	10⅛	9⅞	10	-⅛
27¾	17½	SciAtl	0.06	0.3	27	3442	22¼	21⅝	21½	-⅜
18¼	16⅞	Scotman	0.10	0.5	12	46	u18¼	18	18¼	+⅛
80½	67½	ScottP	0.80	1.0	22	4393	u80⅞	79½	80	-⅛
30⅛	26⅞	Scripps	0.44	1.6	17	825	28⅛	27½	27⅞	-⅞
21½	14⅝	ScuddrNAsF	0.02	0.1		168	14¾	d14⅜	14⅜	-⅜
9⅛	8⅞	ScuddrNEuF	0.16	1.8		100	9⅛	d8⅞	9	-⅛
14⅞	13⅛	SeaCnB	0.70	4.8	9	17	14½	14¼	14½	+¼
16	15	SeaCt 4625	1.46	9.3		1	15¾	15⅝	15¾	
28	23⅝	Sgate			7	2383	25	24½	24¾	-⅛
31	28⅞	Seagrm	0.60	2.0	14	3682	29⅞	29⅝	29⅞	-⅛
18⅛	15¼	Seagull En			184	640	16⅞	16⅝	16⅝	-¼
42⅞	35⅞	Sealed Air			22	226	u42¾	41¼	42⅞	+⅜
50⅞	44⅛	SearsR	1.60	3.2	15	13799	50⅛	49½	49½	-⅞

- T -

- U -

- V -

- W -

- X - Y - Z -

AMEX COMPOSITE PRICES

4 pm close March 7

NASDAQ NATIONAL MARKET

4 pm close March 7

- A -

- B -

- C -

- D -

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- F -

- G -

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- V -

- W -

- X - Y - Z -

AMERICA

Dow weakens on interest rate concerns

Wall Street

US shares slid yesterday as the dollar continued to post new lows against the yen and the D-Mark, and the bond market fell, *writes Maggie Urry in New York*.

At 1 pm the Dow Jones Industrial Average was down 37.35 at 3,960.21. The Standard & Poor's 500 fell 4.32 to 481.31. The American Stock Exchange composite was also lower by 3.20 to 448.87 and the Nasdaq composite was 5.33 down at 792.44. NYSE volume was 206m shares.

After its resilient performance on Monday, when the Dow briefly regained the 4,000 level and closed less than 3 points below the round number, shares fell sharply yesterday. Concerns about the dollar were the main cause of the slump as investors wondered how the currency would affect the economy. The 30-year Treasury bond fell by half a point.

Following the failure of last week's concerted intervention in the foreign exchange markets to stop the dollar's decline, there were fears that interest rates might have to rise to protect the currency. That could jeopardise the hoped-for soft landing and push the economy into recession, which would hurt share prices.

Cyclical stocks, which move more closely with the economy, fell more than consumer shares: the Morgan Stanley index of cyclical stocks was down by 1.3 per cent while the index of consumer stocks was 0.8 per cent lower. Among cyclical shares CSX, the transport group, fell $1¾ to $74, and Georgia-Pacific, the pulp and paper company, lost $1¾ to $71⅞.

In consumer stocks, Philip Morris, the tobacco and food group, rose $¼ to $63⅞ following last Thursday's bullish presentation to analysts.

However, HJ Heinz shares fell $¾ to $37¼ after disappointing third quarter results showing net income up from 50 to 56 cents a share.

Shares in semiconductor groups fell following a downgrading for the sector by Hancock Institutional Equity services.

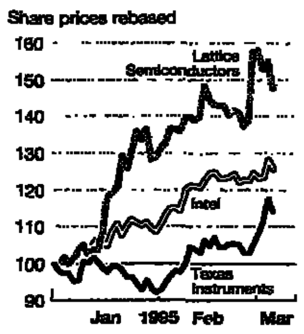
The broker expects chip demand to peak in the next three to four months and then decline. Hancock downgraded from buy to hold the Nasdaq-traded Intel, $1⅞ off to $80⅜, and Lattice Semiconductor, down $1 7/16 to $24½, and also the NYSE traded Texas Instruments, $2 lower at $86½.

Elsewhere on Nasdaq, Microsoft rose $11/16 to $65. America Online, which last week formed a joint venture in Europe with Bertelsmann, continued to rise; it added a further $⅞ to $87⅞, up from $71 before the deal was announced.

Walt Disney shares fell $1⅞ to $54⅞ on press reports that Mr Frank Richard, head of TV programming, was planning to quit. Disney has recently lost other key executives.

Athena Neuroscience slumped by $1⅞ or 21 per cent to $6⅞ after the Food and Drug Administration said that it did not approve its drug Zanaflex NDA, saying it had concerns over clinical data.

US electronics



Source: FT Graphite

Canada

Toronto told two vastly different stories as extensive gains in gold stocks mitigated losses in other groups. The gold and precious metals index soared 432.32, or 4.8 per cent to 9,399.88 as rising grain prices and the falling dollar improved the outlook for bullion, and Comex gold prices hit fresh six week highs.

However, the TSE 300 composite index was still off 3.50 at 4,113.50, declines outpacing advances by 347 to 275, with 238 unchanged, in 43m shares valued at C$543m.

Argentina drops 5.7%

Buenos Aires was 5.7 per cent lower in late morning trading, buckling under the pressure of the credit squeeze and a growing feeling of mistrust among investors.

The Merval index was 16.67 lower at 276.97.

Analysts suggested, however, that a possible catalyst for an improvement was today's expected approval of labour reforms, which have been stuck in Congress.

MEXICO CITY was unable to maintain an early advance and the IPC index registered a 5.05 decline to 1,517.67 in late morning trade, dominated by arbitrage opportunities offered by the sinking peso.

SAO PAOLO was lower in afternoon trading, led by an 8 per cent drop in Petrobras on fears that the company would be hard hit by the new exchange rate policy. The Bovespa index fell 76 to 28,596.

Golds help S Africa rally

Johannesburg rallied as a strong bullion price rise towards the close supported gold stocks after a mostly quiet start.

Other stocks ended mostly better, in line with recent improved *sentiment towards* industrials, although a firmer financial rand had further dented some rand prices.

The overall, index finished *28.3 better at 5,268, industrials* gained 20.4 at 6,598.2 and gold index added 54.7 at 1,550.3.

De Beers was 50 cents softer at R82.25, pressured by foreign selling after the annual results, although dealers noted *that steady support* had appeared at R81.75.

Anglos managed a 150 cent rise to R195 after the gold price rose.

EUROPE

Frankfurt bearish after IG Metall wage deal

The descent of the dollar and the weakness of most European currencies gave bourses another bad day, *writes Our Markets Staff*, with domestic events often adding to the gloom.

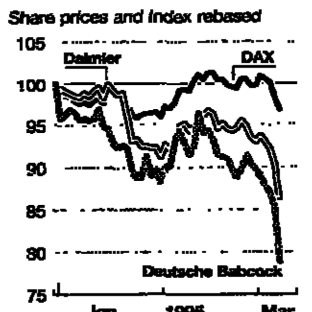
FRANKFURT was depressed by a fall in bunds, reflecting a bearish interpretation of the IG Metall wage deal with metal industry employers. The Dax index closed the pre-bourse at a low of 2,068.94 after an early high of 2,087.24; the session ended at a low of 2,053.94; and the post bourse saw a fall to 2,039.84 before a fractional recovery to 2,041.26, down 28.69, or 1.4 per cent, on the day.

Turnover rose from DM6.7bn to DM7.5bn. Ms Barbara Altmann, of B Metzler in Frankfurt, said that she had seen real selling pressure. Monday's scenario, with cyclicals weak and banks relatively strong, was extended with engineers joining front-line cyclicals like chemicals and carmakers on the downgrade and utilities supporting banks in a conventional defensive stocks response.

In engineers, Deutsche Babcock fell another DM13.30 to DM165.50, down 12.5 per cent this month and apprehensive ahead of a DVFA conference in nine days' time. In carmakers, Daimler fell DM19.50 to DM659 on talk of a Goldman Sachs downgrade, Volkswagen in chase with a drop of DM12.80 to DM375.50.

In chemicals, Hoechst varied the pattern with a higher dividend and a 50 per cent rise in pre-tax profits, leaving the shares DM3 lower at DM306, against BASF's DM7 at DM302.

German equities



Source: FT Graphite

PARIS saw domestic bonds fall with the franc and the CAC-40 index dropped 24.64, or 1.4 per cent, to 1,748.61, its lowest level since December 1992. Rumours of an imminent French rate increase also upset shares.

Elf Aquitaine, the oil group, headed the active stocks list and fell FFr6.7 to FFr363.9 on the effect of the lower dollar on its earnings. However, its fellow oil group, Total, managed to rally 20 centimes to FFr269.90 on the day as the group announced the merger of its Euridep paint unit with Britain's Kalon group.

Alcatel-Alsthom, the telecoms, transport and engineering group, fell through the FFr400 level, dropping FFr12 to FFr392 with investors still nervous about the fraud squad probe into the company's alleged overbilling of France Telecom.

Lyonnaise des Eaux dropped back FFr6.7 to FFr429.3 as *investors reflected on the* increased debt that the company will assume if its bid for the English utility, Northumbrian Water, goes ahead.

MADRID fell sharply, having held up well on Monday in the wake of the peseta's weekend devaluation. Analysts said that weakness in Spanish government bonds, which dropped nearly 150 basis points yesterday, depressed the market. The general index dropped 6.35, or 2.2 per cent, to 274.41, a new 1994-95 low.

There was continued weakness in utilities, hit by higher interest rates after Banco Popular increased its prime rate by 50 basis points to 8.75 per cent, and by foreign currency debts with the peseta hitting a new low against the D-Mark. ZURICH's SMI index lost 12.1 to 2,541.1. One analyst commented that the strength of the Swiss franc against European currencies and the dollar since the start of the year had led to *a 5 per cent downward revision* in 1995 earnings estimates for SMI constituents.

Financials were steady to firmer on the view that the currency turmoil would attract new funds into Switzerland, traditionally regarded as a safe haven, and into its banks.

UBS bearers rose SFr1 to SFr1,054 and SBC was SFr4 higher at SFr346. CS Holding was steady at SFr486; James Capel downgraded the stock after last week's results which, it said, were below worst expectations.

Brown Boveri was SFr15 down at SFr1,023 ahead of today's annual results, amid worries that some forecasts of the group's recovery may have been too ambitious.

MILAN turned lower towards the close as lira and bond weakness sapped enthusiasm, and investors awaited news of the Senate's delayed vote on the government's budget package. The Comit index *registered a 6.65 advance to* 629.36 but the real-time Mibtel index was 78 lower at 9,997.

Stet rallied in early trade after reports that a Mediobanca-led consortium was ready to smooth the company's privatisation by buying the state's 61 per cent stake. The telecoms group turned back to close just L2 higher at L4,640, after a high of L4,740.

Mediobanca lost L206 to L12,750 and other consortium members were also marked down. Credito Italiano lost L42 to L1,692, BCI dipped L60 to L3,565 and Banca di Roma was L21 down at L1,450m.

AMSTERDAM pulled back from the new 1995 low that it hit in late trade to close with *the AEX index off* 3.38 at 398.74, after 397.94. VNU, the publisher, fell Fl 2.90, or 1.6 per cent to Fl 177.10 before reporting results a little ahead of target after hours, with a 42 per cent rise in net profits.

Hunter Douglas, the blind maker, reported profits up 44 per cent and said that this year's sales and profits will be higher in all geographic areas. The shares eased just 50 cents to Fl 71.50. However, Wyers, the household textiles group, dropped another Fl 6.50 to Fl 6 after Monday's fall of Fl 10.40, after the company said that it had made a large loss in the second half of 1994.

BRUSSELS fell 1.7 per cent to its lowest level since September 1993, after a torrent of derivatives related Belix basket trading. The Bel-20 index finished 21.88 down at 1,276.58 in heavy turnover of BFr2.6bn.

Cockerill, the steelmaker, lost BFr6 to BFr173, below key support at BFr175.

Générale de Banque, which announced higher 1994 net profits after the close, was BFr100 lower at BFr8,020.

ISTANBUL finished at a fifth consecutive all time high, still benefiting from Monday's customs union agreement with the EU. The composite index rose 104.17 to 31,489.83.

FT-SE Actuaries Share Indices

Mar 7								THE EUROPEAN SERIES
Hourly changes	Open	10.30	11.00	12.00	13.00	14.00	15.00	Clos
FT-SE Eurotrack 100	1262.51	1261.89	1261.21	1259.95	1252.99	1252.14	1250.55	1249.20
FT-SE Eurotrack 200	1342.39	1340.66	1341.90	1339.80	1338.79	1336.10	1340.43	1337.90

	Mar 6	Mar 3	Mar 2	Mar 1	Feb 28
FT-SE Eurotrack 100	1261.18	1283.06	1296.79	1303.42	1283.53
FT-SE Eurotrack 200	1344.97	1361.12	1368.81	1368.14	1353.77

Base 1000 (26/10/90): High/day 100 - 1262.51, 200 - 1344.23 Low/day 100 - 1249.20 200 - 1334.88 † Partial

Written and edited by William Cochrane, Michael Morgan and Philip Coggan

ASIA PACIFIC

Further yen rise leaves Nikkei lower as turnover stalls

Tokyo

Share trading volume fell to its lowest in nearly two months as a fall in futures prices and fears over the rising yen trimmed share prices, *writes Emiko Terazono in Tokyo*.

Volume totalled 198m shares, below the 200m mark for the first time since January 10. The Nikkei 225 index fell 85.44 to 16,955.28 after fluctuating within a narrow range of 16,954.38 and 17,104.65.

The index saw support in the afternoon on buying by a Japanese brokerage, but arbitrage unwinding eroded the gains later. Investors remained cautious due to the yen's continued rise against the dollar, and ignored calls by cabinet members for a cut in the official discount rate.

The Topix index of all first section stocks declined 8.37 to 1,353.28 and the Nikkei 300 by 1.55 to 249.45. Declines led advances by 680 to 272 with 206 unchanged.

In London, the ISE/Nikkei 50 index fell 0.33 to 1,107.00.

High-technology, export-oriented stocks were sold due to strength of the yen, while domestic institutions liquidated holdings of large capital stocks on growing prospects of *lower share prices at the end of* this month, when corporate books will be closed for the year.

Sony fell Y30 to Y4,360 and Matsushita Electric Industrial by Y30 to Y1,400. Heavy electri*cals were also lower with* Hitachi and Toshiba down Y9 to Y865, and Y9 to Y606 respectively.

Nippon Steel, the most active issue of the day, closed Y4 up at Y345. However, other large *capital issues fell on profit tak*ing, with NKK down Y5 to Y246 and Mitsubishi Heavy Industries losing Y2 to Y630.

Construction stocks were bought by investors wishing to avoid the currency effect. *Sumitomo Construction rose* Y11 to Y762.

Selling by retail investors depressed Nippon Telegraph and Telephone by Y9,000 to Y736,000. Other privatisation stocks, however, were higher, with East Japan Railway up Y1,000 to Y438,000 and Japan Tobacco rising Y10,000 to Y882,000.

In Osaka, the OSE average fell 116.99 to 18,945.79 in volume of 119.5m shares. The index fell for the first time in four trading days, with investors taking profits on high-technology stocks. Murata Mfg lost Y180 to Y3,390 and Mori Seiki declined Y110 to Y1,720.

Roundup

The US dollar's weakness continued to hold sway over many of the regional markets.

HONG KONG was moderately higher in sluggish trade, the Hang Seng index picking up 44.75, or 0.6 per cent, to 8,138.66 in turnover of HK$1.8bn after HK$2.0bn.

By contrast, the Hang Seng H-share index of 15 mainland China companies fell 12.41, or 1.2 per cent, to 987.24 as a general lack of buying interest failed to dissuade sellers.

Among blue chips, finance *was the only sector to lose* ground, with its sub-index down 0.7 per cent. The decline was attributed to offloading of HSBC shares in a rotational trading exercise. The stock lost HK$1 to HK$79.50.

SEOUL continued higher for the fifth consecutive day after follow-through buying overcame profit-taking.

The composite stock index added 2.69 to 936.13, off a high of 941.32. Brokers said that demand remained for low-priced large-capitalisation shares, with semiconductors, cars and petrochemicals bought by investors who believed that these sectors would benefit from a higher yen.

KUALA LUMPUR was helped up from its day's lows by a late wave of speculative buying of second-line stocks but the composite index still finished 6.17 or 0.7 per cent lower at 947.23.

TAIPEI was mixed in thin trade, with demand for financials helping to support the market and investors unconvinced by the central bank's assurance on Monday that it would not change monetary policy. The weighted index edged 5.82 higher to 6,480.76 in low turnover of T$30bn.

Medium Bank Kaohsiung jumped T$6 or 4 per cent to T$156 while Hualon, the textile group, lost 90 cents or 2.6 per cent at T$34.10.

SINGAPORE remained concerned about the weak US currency and the possibility of a further rise in interest rates.

The Straits Times Industrials index lost 28.46, or 1.4 per cent, to its low for the day of 2,098.53. Cerebos Pacific led the downtrend, dropping 45 cents to S$8.30. Fraser and Neave fell 40 cents to S$15.40.

COLOMBO survived profit-taking among liquid, low-priced issues, closing higher for the eighth consecutive day as blue chips continued to attract demand. The market index rose 16.80, or 2 per cent, to 867.26.

WELLINGTON finished mixed in thin volume, with strength in Telecom balanced by weakness among the other leaders. The NZSE Capital index lost 13.16 to 3,640.90

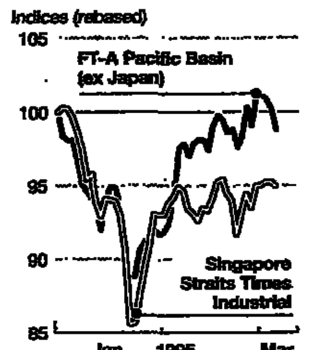
Telecom advanced 4 cents to NZ$5.41 but forestry stocks were weaker, with Carter Holt Harvey off 3 cents at NZ$3.31.

SHENZHEN A shares picked up on news that the authorities had raised margin requirements for transactions in the Shanghai bond market to try to curb speculation. The index rose 4.12, or 2.9 per cent, to 145.04 on expectations that investors would switch from bonds to equities.

SHANGHAI's A share index digested heavy selling pressure in early trading and rose 17.900, or 2.8 per cent, to 654.408, its highest level this year. It dipped to 616.267 near the end of morning trading on heavy profit-taking aftergaining 7.1 per cent on Monday.

BOMBAY saw mild profit-taking and the BSE 30 index lost 42.34, or 1.2 per cent, to 3,498.42.

Brokers said that most speculators had slackened their purchases on news that the market authorities would take longer than expected to decide on the recommendations of its panel on a system of forward trading.



Source: FT Graphite

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Ltd., Goldman, Sachs & Co. and NatWest Securities Ltd. in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS Figures in parentheses show number of lines of stock	MONDAY MARCH 6 1995: US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	FRIDAY MARCH 3 1995: US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	DOLLAR INDEX: 52 week High	52 week Low	Year ago (approx)
Australia (68)	162.29	-0.6	146.61	95.32	118.38	145.95	-0.7	4.07	163.34	149.05	97.28	121.68	146.95	180.82	157.95	170.82
Austria (16)	192.01	1.4	173.45	112.77	140.03	140.01	-0.9	1.16	189.36	172.80	112.77	141.07	141.31	198.89	167.46	185.34
Belgium (35)	176.60	0.2	159.53	103.72	128.79	126.06	-1.6	4.38	176.17	160.76	104.92	131.24	128.32	177.04	151.53	164.44
Brazil (28)	114.29	-3.7	103.24	67.13	83.35	182.29	-2.8	1.82	118.68	108.29	70.68	88.41	187.54	-	-	-
Canada (103)	125.84	-0.6	113.67	73.91	91.77	129.10	0.6	2.71	126.54	115.47	75.36	94.27	128.36	141.01	120.54	134.62
Denmark (33)	264.76	-0.7	239.16	155.50	193.09	203.68	-1.4	1.52	266.60	243.28	158.77	198.60	206.50	275.27	236.61	263.71
Finland (24)	184.07	-0.7	166.28	108.11	134.24	167.44	-1.9	1.24	185.41	169.20	110.42	138.12	170.64	201.41	133.88	149.00
France (101)	167.12	0.2	150.97	98.15	121.88	130.51	-1.1	3.30	166.76	152.17	99.31	124.22	131.93	181.44	157.79	173.75
Germany (58)	154.58	0.4	139.64	90.79	112.73	112.73	-1.7	1.86	153.90	140.44	91.65	114.65	114.65	154.58	129.49	129.49
Hong Kong (56)	330.23	-1.2	298.32	193.96	240.85	327.79	-1.2	3.90	334.15	304.93	199.00	248.93	331.72	419.14	277.40	403.80
Ireland (16)	217.10	0.7	196.12	127.51	158.34	187.43	-0.5	3.47	215.54	196.68	128.36	160.57	188.35	217.10	177.56	188.26
Italy (58)	73.73	1.0	66.60	43.30	53.77	91.17	1.0	1.71	72.99	66.60	43.47	54.37	90.30	97.78	67.25	73.13
Japan (484)	147.08	1.3	132.86	86.38	107.27	86.38	-0.1	0.89	145.16	132.47	86.45	108.14	86.45	170.10	136.95	154.17
Malaysia (97)	475.54	-2.6	429.58	279.30	346.82	465.20	-2.8	1.62	488.50	445.77	290.92	363.91	479.80	594.76	398.16	500.98
Mexico (18)	726.75	-7.3	656.50	426.84	530.01	5200.59	0.5	2.09	784.15	715.56	467.00	584.15	5174.09	2414.12	726.75	2261.31
Netherland (19)	232.24	1.6	209.80	136.41	169.38	166.77	-0.7	3.65	228.69	208.69	136.20	170.37	167.94	232.24	191.28	197.16
New Zealand (14)	72.87	-0.2	65.82	42.86	53.22	60.18	-0.9	4.90	73.11	66.72	43.54	54.46	60.77	77.20	62.05	68.72
Norway (23)	209.16	-0.3	188.96	122.85	152.54	177.29	-1.8	2.19	209.83	191.47	124.96	156.31	180.46	216.03	177.53	197.97
Singapore (44)	353.47	-0.2	319.31	207.61	257.79	233.50	-1.1	1.83	354.22	323.24	210.96	263.88	236.04	401.38	294.66	331.66
South Africa (59)	315.28	1.1	284.80	185.17	229.93	265.10	0.2	2.56	311.69	284.42	185.62	232.19	264.67	342.00	205.55	254.28
Spain (38)	134.22	-0.9	121.25	78.83	97.89	129.85	-0.1	4.38	135.40	123.55	80.63	100.86	129.96	150.21	124.87	143.80
Sweden (46)	235.34	-1.6	212.59	138.22	171.64	251.55	-2.1	1.94	239.16	218.26	142.44	178.18	256.94	247.40	196.70	215.76
Switzerland (47)	178.39	1.8	161.15	104.77	130.10	130.01	-1.3	1.87	175.26	159.94	104.38	130.57	131.73	178.39	149.91	161.97
Thailand (46)	140.76	-2.2	127.16	82.68	102.66	135.65	-2.5	3.13	143.90	131.31	85.70	107.20	139.06	-	-	-
United Kingdom (204)	199.82	0.3	180.50	117.36	145.73	180.50	-0.7	4.37	199.11	181.69	118.58	148.33	181.69	205.58	181.11	200.54
USA (513)	198.68	0.0	179.47	116.69	144.90	198.68	0.0	2.85	198.73	181.35	118.35	148.05	198.73	199.82	178.95	189.04
Americas (662)	181.46	-0.1	163.92	106.58	132.34	152.42	0.0	2.83	181.72	165.82	108.22	135.37	152.46	-	-	-
Europe (720)	175.38	0.5	158.42	103.00	127.90	146.54	-0.9	3.24	174.58	159.31	103.97	130.05	147.92	176.01	160.59	167.80
Nordic (128)	228.51	-1.2	206.42	134.21	166.65	203.68	-1.9	1.77	231.23	211.00	137.71	172.25	207.60	235.72	197.70	209.54
Pacific Basin (809)	154.97	0.8	139.99	91.02	113.02	96.02	-0.3	1.26	153.57	140.14	91.46	114.40	96.30	176.85	145.93	163.63
Euro-Pacific (1529)	163.38	0.7	147.59	95.96	119.15	115.51	-0.6	2.15	162.23	148.04	96.61	120.85	116.18	175.14	154.73	165.21
North America (616)	194.17	-0.1	175.40	114.04	141.61	193.96	-0.0	2.84	194.26	177.27	115.69	144.71	193.97	195.38	176.67	185.56
Europe Ex. UK (516)	158.19	0.5	142.90	92.91	115.37	*126.54	-1.1	2.60	157.38	143.61	93.73	117.24	127.94	158.19	144.12	147.02
Pacific Ex. Japan (325)	232.98	-1.2	210.45	136.83	169.90	205.96	-1.4	3.31	235.85	215.23	140.46	175.70	208.90	273.13	211.19	255.82
World Ex. US (1737)	163.29	0.6	147.51	95.90	119.09	118.47	-0.5	2.16	162.28	148.08	96.64	120.89	119.12	176.65	155.42	166.64
World Ex. UK (2046)	171.33	0.4	154.76	100.62	124.95	138.37	-0.3	2.20	170.66	155.73	101.64	127.13	138.82	178.59	163.46	170.43
World Ex. Japan (1766)	189.76	0.0	171.42	111.45	138.39	176.57	-0.5	3.01	189.71	173.12	112.98	141.32	177.39	192.00	176.34	185.05
The World Index (2250)	173.63	0.4	157.02	102.09	126.77	142.17	-0.3	2.41	173.16	158.01	103.12	128.99	142.67	180.80	165.92	173.07

Latest prices were unavailable for this edition.